

## 021910 Choose to make smart investments in 2010—another view

By Gary Case

Last Friday in this space, ---- offered his view of smart investment decisions for the coming year, along with some observations. My philosophy and observations differ substantially from ----'s, so I thought I would take the opportunity to present another view for the reader's consideration.

---- states that the overall economic and market outlook is generally favorable. Huh!?! The last time I checked, things still look pretty tough out there. Unemployment is high and looks to go higher (perhaps he was referring to the outlook for Wall Street as opposed to Main Street). Credit for businesses is almost non-existent and both commercial and residential real estate and the mortgages associated with that real estate are facing stiff headwinds...Alt. A and Option Rate mortgages comprise a larger sector of the market than did sub-prime and most of those mortgages will reset to higher interest rates in the next 6-24 months. I'm trying to figure out how foreclosures won't follow when many of those folks are un- or under-employed.

---- states that "if you had jumped out of the market during the long downturn from late 2007 through March of 2009, you would have missed quite a rally." Quite the opposite is true. According to Wikipedia, on October 9, 2007 the Dow closed at 14,164.53. That index hit a market low of 6,443.27 on March 6, 2009. My math shows that to be a decline of 7721.26 points, or a drop of 55%! While I agree that there was a stock market rally for nine months last year, on Thursday, February 11, the Dow closed at 10,144, still 4020 points below the October 2007 high, still 40% below the high! Missing the stock market decline had a much more positive effect on a portfolio. "Stick with buy and hold," as Andy assets, cost you 40% of your investment from October 2007 until now. How did that work out "pretty well for investors who were patient enough to ride out the bear market"? Flash—the bear market may not be over yet.

This is not to say that there are no good investment options out there, and I agree with ---- that preparing your investment strategy can make this a year of progress toward your important financial goals. When you consider who you want to help you make important investment decisions, carefully consider the underlying philosophy and the results that philosophy have yielded in the past few years as well as how you wish to address your investment decisions going forward. Missing bad days in the market is at least as important and capturing good days.

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