

111408 Your Market Recovery Strategy  
By Gary Case

To say that the economy and markets are in turmoil is an understatement, to say the least! It appears that the economy will be surprisingly weak for some months going forward. Markets are way down (whether this signals a buying opportunity or simply more pain is open to discussion). Look for considerably more regulation with the election of a new president and a single party majority in congress. However, there is considerable money and resources being deployed by our government to combat the crisis. While there may be a price to pay in long term for this spending, right now it appears necessary to keep our economy from collapsing.

Within this backdrop, the question becomes, “What is your recovery plan?” Regardless of where your money is, it is likely that investment performance has been lacking, whether in low interest rates or investment losses. If you have invested for retirement, education or other life plans, surrendering is probably not a good option. Perhaps it is time to get out of the doldrums and get a plan in place to move forward.

- Analyze your current holdings, forecast future scenarios, look at different investment options, and reformulate your investment policy statement, if necessary, to have a forward looking plan of action.
- Bank your tax losses. Tax loss harvesting consists of selling current holdings that have incurred losses, which can be offset dollar-for-dollar by gains and to a certain extent by ordinary income. There are some rules to follow to maintain tax loss benefits. Prior to harvesting, consult your tax/financial planner to be sure you follow the rules.
- Curb your fight or flight instinct. Develop a realistic vision of what you believe the future to hold and create a productive response.
- Review your financial plan to determine how diversifying has benefited your portfolio and any additional ways you can practice prudent risk management techniques.

As you have read in this column in the past, there is now better time to develop a comprehensive written investment policy statement (IPS) that will assist you and your financial planner in implementing measures to structure, monitor, and adjust your portfolio to both preserve and grow it as necessary to meet your goals, both long-and short-term. If your current advisor has not generated an IPS for you, consider finding one who will.

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