Timeless Truths

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Out of curiosity I pulled out my column from this time last year to see exactly what I was thinking at the trough in the market on March 9, 2009. As I think back to that time, I remember that I had never in my 28 year career seen such fear and concern on the part of clients, friends, or the media. It seemed to me we were in a rut of perpetual negativism and that one of the ways out of the bad economic times we were experiencing might be to be conscious of our power to choose what we listened to, who we kept company with, what we talked about, and what we in turn believed. And most importantly that as an alternative to staying stuck in fear and negative thinking, there were things we could do to crawl out of the mess we were in.

Here we are a year later, with an S&P 500 at 1145 vs. 676 this time last year, a little under a 70% change. Things in the markets and the economy have improved significantly, although there are still many concerns such as unemployment, interest rates, sovereign debt, and a lack of clarity on how tax rates may change, just to name a few. But the world didn't end, and our economy didn't fail, a lesson that can go at the top of our list of "Lessons Learned."

What other timeless truths are there that we need to remember year in and year out? Here are a few.

- Attempting to achieve maximum returns or doing better than peers are neither measureable objectives nor as important as setting and focusing on your own life goals.

- Diversification works. There are many who will argue this not to be the case, but a disciplined diversified strategy that includes various assets classes and regular rebalancing can potentially reduce the time needed to recover from major market events like we've just experienced.

- Disciplined saving is more important than achieving superior returns, especially when markets aren't performing well.

- Regular reviews and updates between you and your advisor are essential. Odds of success at achieving goals change constantly as your situation, spending patterns, investment returns, and other factors evolve, and these changes need to be taken into account in order to stay on track toward your goals.

And lastly, as was the case a year ago and as is the case today, there are always things over which you do have control, actions that you can take today, to improve your financial situation, such as revising your financial plan, revisiting your expected retirement date, reviewing your estate plan, and refinancing your mortgage, just to name a few.

Although I can't find the author's name, here's something I found that speaks to the issue of getting started with those actions you may need to take. And although it applies to the specifics in our financial discussions, I think it has universal application, so use it however you like:

> "Taking the first step helps bridge the gulf between our dreams and our accomplishments… In order to arrive at the destination, we must begin the trip. We can read hundreds of college catalogs, but it's when we register for a course, buy a textbook, and begin to study that we are on our way to a degree.
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> "Two factors inhibit our beginning a project. The first is lack of clear motivation and the second is fear of failure. If we don't really want to do something, it's hard to get started. So, if motivation is a problem, we may need to reconsider our choice of projects.
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> "As for fear of failure, this may be something that we step over and around as we move forward. It is not a good reason for aborting a dream. If, in spite of fear of failure, we make a beginning, we will find that the fear shrinks with every step we take. Action is the catalyst. We learn how to do something by doing it."

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Katherine Newton, a 29-year veteran of the financial services industry and Certified Financial Planner™, helps clients nationwide enrich their retirements by working to create reliable streams of income, freeing them to do what's most important in their lives.

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