Don't Try To Get Tricky With Your Investments

Q: The recent swings in the stock market are causing me to question the safety of my retirement account. The forecasts for stocks are inconsistent and I'm too close to retirement to rebuild my account. What should I do?

A: Stop listening to the market predictions; no one has a crystal ball. Markets have always been, and will continue to be, unpredictable.

Each New Year brings new economic forecasts. Savvy investors stick to their long-term investment plans and aren't influenced by forecasters.

For example, in a January 2014 Wall Street Journal survey, 48 of 49 economists expected the yield on the 10-year Treasury note to rise from 2.9% to an average of 3.5% by year-end. When 2014 closed, the 10-year Treasury yield was 2.17%. Really?

Let's look at how the expert investment managers who run hedge funds performed last year. After all, hedge funds use advanced investment strategies that are available only to wealthy investors. Hedge funds also charge seriously high fees. Bloomberg reported that hedge funds (on average) returned just 2% in 2014. Balanced portfolios of stocks and bonds returned about 5%.

So if economists and hedge fund managers are this inaccurate at forecasting, what is the average investor supposed to do to protect their retirement savings?

To paraphrase a famous saying, start by accepting the things we can't change. Don't try to "market time" by moving in and out. You have to be right twice. Selling at the right time and getting back in the market at the right time is next to impossible.

Have the courage to change the things we can. Concentrate on controllable events like managing your cash flow and choosing an appropriate asset allocation that you will stay with during good times and bad. Rebalance periodically.

Shrewd investors consider stock market downturns to be an opportunity to buy stocks on sale within your current asset allocation goals. Hold your nose; sell the winners and buy the losers.

Don't take any risk with cash needed for upcoming expenses.

Be disciplined and stick to your long-term goals and investment plan. Don't let the latest news steer you off course. Review your plan and update investing goals and objectives.

Don't let emotions disrupt your long-term investment plan. Pension plans use actuaries, not feelings.
There was a time when we joked about economists and meteorologists, but the weather predictions have greatly improved.

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