



AVOID BEING PULLED UNDER BY THE FINANCIAL MARKET WAVES

In asking people how they feel about the markets, I am reminded of John Candy getting on the roller coaster in *National Lampoon's Vacation*. He comments "I have been on this ride before . . . and I threw up."

The violent upswings and downswings are enough to cause even the most seasoned investors to pause and question themselves and the markets in general. While the system is currently dysfunctional and has given many pause, your own needs still likely remain intact. Therefore, the need to plan for the future, for taxes

or your estate has not gone away. The need to confront college expenses and your 401(k) allocation hasn't been diminished because the answers are now opaque, hidden behind the veil of uncertainty that has descended on both Wall Street and Main Street. So what do you do?

Seek Independent Advice

Turbulent markets are no time for biased advice. Your financial security may depend on the quality of the advice you receive. It is important to know that the person providing it does

not have a hidden agenda. In general, I recommend individuals establish a relationship with an independent advisor who has a fiduciary duty to them. The depth of this duty is stronger than that of more traditional brokerage relationships and requires an enhanced level of due diligence and advice. The validity of this is supported by recent bonus programs where brokers who kept their clients active in the markets were paid more than those who did the prudent thing and reduced their clients' exposure to equities. Shouldn't your advisor have your best interests at heart?

You should also establish a relationship with someone who has a team or can bring one together. The intersection of investments, insurance, estate planning and tax planning and preparation requires individuals to have proper coordination at all levels. Some advisors provide these all in-house while others will work with outside professionals. Either way, if everybody is not talking then you may be missing something.

Understand Why You Invest

In *Alice in Wonderland*, Alice asks the caterpillar which road she should take. The caterpillar replies by asking her where she wants to go. When she says that she doesn't know, he simply states, "Then any road will do." This is not the way to invest. You must know why you are investing because any road most certainly will not do.

We recommend utilizing retirement projections that can help identify how to reach your goals with reduced volatility. This means a mix of both domestic and international equities and fixed-income investments along with gold, natural resources and other asset classes. In addition, these strategies should be updated every six months to identify any inefficiencies or changes that need to be made. The sophistication of the software can even allow individuals to calculate the effect that bad timing will have on their plan. For example, we have been working with clients to model the effects that further drops will have on their long term strategies to help facilitate the decision-making process. You should be having meaningful discussions with your advisors about not just the markets but, more importantly, what the economic crisis means to you.

Don't Forget the Importance of Tactical Changes

The concept of buy-and-hold investing



is cold comfort for those who are feeling the damaging effects of the recent market drops. In general, we recommend that individuals not only establish a long-term investment strategy but also utilize tactical changes and disciplines to implement it.

For example, you must establish guidelines to cut losses. If an investment drops by the arbitrary amount you choose (15%, 20% or 25%), you should strongly consider selling it to help mitigate losses. You should also not be afraid to hold cash. If the market is falling, having some extra cash allocated to invest in a better or more stable environment may not be a bad thing. The key here is making sure that you understand how these short-term tactical changes intersect with your longer-term needs.

Reduce Non-Investment Inefficiencies

Financial success is not determined by investment success alone. Individuals must coordinate their estate plan, tax-minimization strategy and risk management strategy. The impending tax changes will necessitate many individuals to revisit their tax strategies. In addition, poor estate planning or risk mitigation can subject you and your family to unnecessary taxes or damaging legal judgments.

Conclusion

The markets and media have created financial terror. Many individuals are frozen or uncertain where to step for fear of setting off a financial land mine. There is still great risk and opportunity. Now, however, is not the time to stand still. Rather, individuals must take hold of their own finances to insure that they are prepared regardless of what the markets throw at them. ●



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Please consult your advisor to determine if a global investment strategy is appropriate for you. Remember to review any investments with your advisor to determine if they are appropriate for your needs, risk tolerance or time horizon. Like any individual investment, past performance of either the domestic or international markets is not predictive of future results nor will asset allocation or diversification alone protect from loss.