Financially Speaking
With Trisha Arndt, CFP®

Investing in Your Values

March 9th, 2010 marked a very special anniversary. Exactly one year ago the stock market, as measured by the S&P 500 Index[1], hit an inter-day low of 666. The "bottom" of a very painful bear market that is rivaled only by the declines of the great depression.

As with every bear market past – and I expect every one to come – there was no magic bell signaling that the bottom had arrived a year ago. In contrast, many so called "experts" were literally telling people the time tested guidelines of staying the course, remaining diversified and investing when prices decline didn't apply anymore. They claimed that the worst was yet to come and that the markets wouldn't recover for a generation.

A year later the same stock market index closed at 1140 – over 70% higher than the inter-day bottom it reached just a short year ago.

In my column that appeared in the Verona Press in March of 2009 I urged people to turn off the news and go outside. It was my feeling then – as it still is today – that the constant onslaught of negative information that we were all being fed was contributing to the mood of individuals, and thereby exasperating the problems with the economy.

Now to be sure the economy still has a tremendous amount of healing to do. The stock market is still well below the high it reached of over 1500 (as measured by the S&P 500 Index[1]) but I for one am thrilled to see that those of us who stuck to our investment principles have been rewarded. The investments they held through the tough times may not be quite back to their peak but they are certainly worth a lot more than they would have been had they given in to fear and panic and sold at the wrong time.

For many of those that had the courage to buy when things seemed bleakest the past year has provided the opportunity for significant appreciation on their holdings. Congratulations if you can count yourself part of that club.

While the trauma of the Great Recession may be behind us its memory will long live in the front of our minds. As we view our individual financial circumstances through the lense of that memory I hope that it can help to make us smarter.

I hope we've learned to not live beyond our means, getting by on credit. To appreciate the value of our employment and putting away money for a rainy day. And, to make sure that our investments are appropriate for our individual situations and risk tolerances – and that those investments are reviewed regularly to make sure that they continue to meet our objectives instead of realizing when the market movements have already occurred that perhaps we should have held a different mix.

I also hope we've learned that time tested investment principals really do work – if you're willing to give them the time to do so.

I suspect that stock market returns over the coming months will be more muted and that some day, hopefully many years in the future, we will experience another bear market. And through it all I am confident that common sense investment principles will continue to make sense.

[1] All Indices are unmanaged and are not available for direct investment by the public. Past performance is not indicative of future results. The S & P 500 is based on the average performance of the 500 industrial stocks monitored by Standard & Poor's.

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