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BUSINESS NEWS

Perspective, Please

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Traverse City, MI --- I would never say that what the world is going through isn't anything other than real and serious. What I will say is that cycles happen. Crises happen. Recessions, market downturns and financial meltdowns all happen. That brings very little peace of mind to most of us. I realize that.

While we continue to fight general despondency about the economy, perspective can shine needed light. Historians who theorize about the evolution of the financial world have merit. It is a common belief that only the strong survive and with each new era are born new species. Economic eras are similar. With each new economic era there are new financial species that emerge. Derivatives, credit default swaps, etc. are all new financial species that emerged in a new era. Many of them did not survive the recent financial asteroid and will most likely not continue in their same form as a viable financial species. But the viable ones are still here and will continue. They will evolve. They become stronger, faster and more able to adapt to changing environments. We all own those "species" as investors.

The vast majority of us are not sitting on a mound of derivatives and swaps. We are sitting on mutual funds, ETFs, index funds and individual shares of the companies that helped build this economy. We own international investments that have ridiculous growth potential and treasuries and bonds that will settle down and be long term producers. History tells us that. The only thing we can control during these times is the quality and quantity of what we own. Our investments have to be high quality and in the right quantity for our time horizon and risk tolerance. That we can control. That, and our perspective.

If we are calm and enjoy a little perspective we will win the long term "game" of investing. We may be back to the same dollar amount we had 5 years ago, some of us even

10 years. But over time our values will stabilize and we will have growth. I can say this because I track data every day of my life. Data gives us confidence and perspective. As one of many examples I could cite look at late 1972 to late 1981. That period of time marked a time where the value of the S&P 500 index was relatively unchanged over nearly 10 years, just as it now. Since then, the value of the S&P has doubled itself nearly 3 times. I guess it is safe to say we have had growth in the past three decades. Lots of growth.

Our houses are in the same situation. Some of us bought at the top of the bubble and are suffering because we have "lost" money on our homes. But, if we are patient and not forced out for some unfortunate reason, we will sell those homes for more than our purchase price. This may not be possible after 1 or 2 years. But after 7, 10 or 20 years? With time home owners have a really good chance of earning some equity on their investment.

Conversations I have with the general public each day of my life make me realize that during financial downturns many people lose perspective. That is very damaging to our overall financial wellbeing. Home prices and stock prices are at lows we haven't seen in a long time. Does logic tell you to abandon something that historically has grown well when it is at a multi-year low? Or does logic tell you to be patient. If you bought a house for 225K two years ago and it is now worth 200K. Do you freak out and sell it? No. You practice discipline and gain some perspective.

If your investment account has consistently outperformed the market as benchmarked by the S&P 500 but, got brutally beaten up over the past 18 months, does logic tell you to sell and get whatever you can? Or does logic tell you, "I wish I had more to buy in because historically it's good stuff!" As an experiment, see where you are vs. the S&P 500 since you started investing. How do your investments measure up? If they are beating the benchmark then give yourself a break. And realize the market have grown very well since their inception.

It's a matter of a little perspective. Something we can all seek out during these difficult times.

About the author: *Kelly is an investment manager with fee-only Registered Investment Advisor, Legacy Financial Services Group, LLC. Alongside Legacy's founder and CEO, Derek E. Weeks, Kelly specializes in bringing long term success and peace of mind to business owners and retirees. Kelly can be reached via email at kelly.kaz@charter.net or by phone at 231.933.0631.*