

## *“What’s an Investor to Do?”*

What’s an investor to do? I think everyone I’ve talked with lately asks that question and it’s not surprising. With interest rates near zero, volatile markets and an economy in search of a catalyst, investors are facing a difficult scenario. We certainly have plenty of items to worry about:

- The US needs to stop spending more than we make but some lawmakers still think we need to spend billions more to stimulate the economy. The result is a dysfunctional government.
- Emerging market countries like China were growing quickly and buying our exports, but are now slowing down, which is a risk to the US economic recovery.
- And in Europe, many experts are now saying that the financial condition of some countries and the large banks are in worse financial condition than the US banks prior to the 2008 financial crisis. Bonds of some countries are now considered more risky than those from corporations like Johnson and Johnson.

So what’s an investor to do? First, acknowledge that things are different and likely to stay that way for a long time. Second, don’t plan for the end of the world because it only happens once anyway. Third, don’t give up and bury your cash in the back yard! We believe that investors can stay in the markets, but it will take different techniques to achieve reasonable returns while trying to avoid a potential and large overnight drop.

In this “new normal world”, asset prices can deviate from the asset values for long periods of time, creating both risk and opportunity. Investing today requires long periods of patience where you actively take steps to control your risk while collecting dividends, followed by periods of great opportunity when assets are selling for less than their value. Following this approach over time achieves reasonable growth but many people have difficulty with it in our world of “instant everything”. The only thing the markets are likely to give you instantly is a lot of pain if you get impatient.

Patience is the key word today while we wait for world events to become clearer. I am not advocating timing the market but think that a combination of collecting dividends, using appropriate hedges and higher levels of cash are prudent while we wait for the risk to decrease.

Longer term, I’m very positive on the US economy, but we need to fix some things first and it’s going to take some time. I believe our politicians will wake up one day (or get replaced) and start acting like responsible leaders again and that the financial problems in Europe, while large, will be resolved. In the meantime, we’re sticking to our disciplined process to control risk and waiting for opportunities.

We want to wish everyone a wonderful holiday season and may your best news in 2011 be your worst news in 2012!

If you’d like to discuss these ideas or your current investments, please call us at 303-302-0626 or email [gary.poling@raymondjames.com](mailto:gary.poling@raymondjames.com) to schedule an appointment.

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