

When Should You Get In?

I'm often asked about when to get into the market. The question comes in many forms: Is now a good time to invest? How about dividend stocks? Should we wait for a recovery? Have we hit the bottom yet? Are value stocks good right now? How about growth? Commodities and China funds have done really well, should we buy?

All of these questions are understandable and are a part of human nature and how we tend to react to uncertainty. The problem is neither you nor I can predict the future. Even experts cannot agree. Last Tuesday at the FPA symposium, four economists debated the future of the economy. One was optimistic, one pessimistic, and two were in the middle. No one can provide a definitive answer and our natural programming often leads us astray.

When the stock market is doing well and has been for several years, we assume it must be a great time to invest. When the market is doing poorly, as it has been this year, we tend to be frightened and assume it's a bad time to invest. This tendency is called "recency bias". Our human and normal reactions often lead to excessive optimism and pessimism at exactly the wrong times!

During these down cycles, it helps to think of a down market as a sale. Why is it when Nordstrom's has a sale we can't wait to get there, but when the markets are at discount prices we are fearful. Investing is no different, except there's a good chance the price will go up again.

We know there will be ups and downs, but you must believe the market will eventually go higher if you're going to invest. We also know, by staying out of the market you stand to lose more over time due to inflation.

So when should you get into the market? That is not the question; the question is do you have a plan and does your plan call for more market investment. If the answer is yes, the answer of when is always NOW!

Below are a couple quotes from experts on their view and what really happened:

Ben Bernanke, Fed Chairman: "I expect there will be some failures.... I don't anticipate any serious problems of that sort among the large international active banks." - February 28, 2008

In September, 2008, Washington Mutual failed. Citigroup, Bank of America, JP MorganChase, and Wells Fargo had to be bailed out with TARP funds.

Harry Dent, Harvard MBA, and founder of HS Dent Investment Management and author. In 1998, Dent authored a book titled, *The Roaring 2000's*, in which he predicted that the Dow Jones would reach 21,500 and, possibly, 35,000. Today, the DJIA is currently struggling to stay above 12,000. Proving his ability to change with the times, in 2009 he authored a book titled, *The Great Depression Ahead*, in which he predicted a DJIA of 3,800 by the end of 2010. The DJIA closed last year at 11,578.

Years ago, I made the decision to follow a passive index investment strategy for myself and my clients. Consequently, I never try to time the market or pick the hottest stock or sector. I came to this decision after years of listening to the experts.

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I am the beneficiary of an IRA; what are my withdrawal options?

If the owner was over 70 1/2 and taking required minimum distributions (RMD), you can either take RMDs at the owner's life expectancy, or yours. The distributions must begin by December 31 of the year following the year of death. If you are younger, this allows you to stretch the distributions over a longer time to minimize the tax burden.

If the IRA is a Roth IRA, the RMDs must also begin the year after death.

An additional option; if the owner was a spouse, you can roll the IRA into your own IRA and follow the rules as if it were yours from the beginning.

In any case you can always withdraw more than the RMD.