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GET A CLUE ABOUT: MARKET TIMING

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BY KARIN PRICE MUELLER

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Upfront: the truth. No stock market analyst, no economist, no financial adviser, can tell you when to buy back into the stock market.

We've seen bear markets before. While past stock markets would indicate that someday, stocks will rise again, there are no guarantees. Still, the question for many investors is whether it's safe to get their feet wet again.

"Unfortunately, no one knows how the market will perform over the next year or five years," says Marnie Aznar, a certified financial planner with Aznar Financial Advisors in Morris Plains. "I do think it is quite possible that a few years from now, we could look back at this period of time and realize that it was a buying opportunity of a lifetime."

Here's what you should consider before investing.

The Experts

Marnie Aznar, certified financial planner, Aznar Financial Advisors, Morris Plains

Reed Fraasa, certified financial planner, Highland Financial, Riverdale

Brian Kazanchy, certified financial planner, RegentAtlantic Capital, Morristown

James Marchesi, certified financial planner, Mill Ridge Wealth Management, Chester

Finding the bottom?

Seasoned investors and novices alike aren't sure we've seen the worst of the stock market declines.

"We all try to listen for the proverbial bell that rings at the bottom," Marchesi says. "The problem is that in bear markets it can ring a number of different times. The hardest trick is to wait for the loudest bell to ring."

If history is any indication, we won't know we've hit bottom until months after the fact. Advisors agree trying to time the market is a big mistake. When investors try to do it, they typically buy high and sell low, or simply guess wrong, and that won't help your portfolio.

Fraasa points to investors who are still pulling their money out of mutual funds as an example.

"The behavior of investors to move as a herd and hurt themselves is repeating itself," Fraasa says. "Instead of the flow of money going into funds during these last four weeks, there is very high redemption going on."

High redemptions can add to the market downturn as fund managers liquidate holdings to raise cash needed to return to investors who want their money back. But the little guy is often the last to act when markets move lower.

Rather than worrying about a bottom, he says investors should think of a floor. He says the daily volatility will continue until the level of certainty greatly outweighs the level of uncertainty, but by then, you will have missed your opportunity. Instead, he says, you should think of the volatility as your friend, for without it you would not have the opportunity to earn higher rates of return.

Marchesi says investors will be rewarded at some point in the future by being diligent and accumulating shares in the best companies they can find.

"React, don't predict," he says.

Short-term predictions

While advisers agree that searching for a definitive bottom is near-impossible, history can offer indications of what to expect in the years to come. The question of "When?" is the big unknown, but to see gains, you have to be invested.

Kazanchy expects the markets to be volatile and sluggish over the next year, and he says the domestic economy has entered into a recession that may last a while.

"The good news is that in most cases the markets begin to recover about midway through a recession," he says, but again, we don't know when that midpoint is.

Over the next five years, Kazanchy expects the global economy to recover significantly, possibly making the current market environment a good buying opportunity.

Fraasa says on the downside, he expects the economy will continue to be in a recession for another two to three quarters, with stagnant returns in the 2 percent to 5 percent range for the next year.

But there is an upside, he says, believing that much of this year's market losses could be recouped over the next two years. Over the next five years, he expects to see historical averages of 7 percent to 10 percent average annual return for most diversified portfolios with at least a 40 percent equity exposure.

If you've gone to all cash and stay there, you'll lose the opportunity to reap those returns.

Risk tolerance considerations

If the market volatility makes your stomach turn and leads to sleepless nights, you need a reality check. Of course it hurts to see your investments lose value. But you're not going to build a long-term portfolio that will keep up with inflation if all your money is under your mattress.

Many investors have learned through this rocky market that their tolerance for risk isn't what they thought. Aznar says this is an excellent time for investors to re-evaluate their risk tolerance.

"I do not think that now would be a good time to make your portfolio more conservative given the significant decline in the equity markets, but I do think that once they rebound, it would be wise to consider paring back on your equity exposure if the past few months have resulted in many sleepless nights," Aznar says.

Investors should remember three things:

1. No one is ever completely rational, but successful investors tend to be less scared and less greedy than unsuccessful ones.

2. The strongest urge to sell may come at or near the worst time to sell, as your will starts to capitulate to fear and worry.

3. Selling today sets up a huge challenge in correctly choosing both the timing of the sale and the buyback. History shows that you can be "right" on the sell and still be worse off in the end because often the market comes back without your participation.

Time horizon

Your strategy to get back into the market should depend in large part on when you need the money.

For younger investors and for those with 20 or more years until retirement, investing now should be a no-brainer. If you can stand to buy, knowing this may not be the very bottom, you're still getting stocks at discounted prices.

Marchesi says you should develop an appropriate asset allocation, determine a sound process for choosing investments and set up a systematized investment process, bi-monthly if possible, to get the majority of the money invested over the next six to 12 months.

"Be ready for opportunistic entry points," he says. "If the market drops significantly lower in a short period because of continued crisis-pricing, the investor would want to manually add a bit of money to the long-term investments."

If you're 10 years away from retirement, and if there are recovery markets ahead of us in coming years, you need to determine which chips to take off the table.

Assuming you're going to be in retirement for a long while, you'll need cash flow projections that factor in taxes and inflation. Some of your funds will be spent when retirement starts, so it makes sense for these to be invested conservatively. But your retirement could last for 30 years, so you'll have a long time for your equity investments to recover and start growing again before you'll need to tap them.

When you're about three years from retirement, at the minimum, Marchesi says you should have a piece of the portfolio in very safe investments. He calls it a SWAN account -- Sleep Well At Night. Once retirement is in full effect, you'd maintain a certain amount in the SWAN account to cover expenses for the immediate future.

For the soon-to-be-retired, Aznar says this is time to re-evaluate discretionary spending, make cuts where you can and increase your overall savings rate. If you're 50 or older, you should take advantage of "catch-up" contributions to your 401(k) and IRA if possible, so more money will be invested in this lower market, and hopefully, you can watch a larger asset base rise when the market eventually does.

Other buying tips

- Attention all SEP-IRA and IRA contributors: Do not wait until your accountant tells you the amount to contribute, or until April 15, to invest, Marchesi says. Invest your long-term contributions now, or dollar-cost-average in to the market.

- Stopping 401(k) contributions: If you're thinking of ceasing contributions until the market recovers, Kazanchy says DON'T STOP! "If you stop buying stocks when they are distressed you are missing out on potential bargains," he says.

- Starting 401(k) contributions: Start today, says Aznar. "We do know that stock prices today are significantly cheaper than they were just a few months ago and you cannot afford not to be taking advantage of these lower prices," she says.

- Tax strategies: You should absolutely take your tax losses now while you can realize them, Fraasa says. You can offset gains with up to $3,000 in losses, and you can carry over excess losses to next year.

- Buying mutual funds: As we near the end of the year, if you're thinking of buying into a mutual fund, pay attention to the fund's capital gain distributions, which are usually made toward the end of the year, says Kazanchy. He says in a year like this one where most investors have experienced losses in their portfolio, you should be careful not to generate taxes from buying into a fund that is about to make a large distribution.