RESEARCH CAPITAL CORPORATION

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Trying to digest the political news each day and figure out how it applies to the financial markets is like trying to drink out of a fire hose.
Every day clients, friends, and family members ask me how I think Trump’s policies are going to affect the market.

What they’re really asking me is, “Is my money safe?”

It’s a natural thing to be concerned about. But there are steps you can take to prevent that question from constantly being on your mind.

Here are two strategies every investor can use to reduce their stress about their money.

1. **Think about your timeline.**

When will you need the money that is invested?

I always suggest that any funds you’ll need within three years should not be invested in stocks. Anything can happen in a short period of time, so if you’ll need that cash to pay bills within three years, take it out of the stock market and put it in something safer, like a money market, High Interest Savings vehicles, T-Bills, or investment-grade bonds (not a bond fund, but actual bonds; bond fund prices fluctuate, but if you own an individual bond, you know it will be worth $1,000 on the maturity date).

2. **Do nothing.**

If you’re a long-term investor and have years to let your portfolio grow, you don’t necessarily have to take any action just because a bear market hits or the market tanks.

Certainly, you’ll want to keep an eye on your stocks, and if something has changed **fundamentally** for one of them, it may be prudent to make a change. But if it’s simply a bear market (where everything goes down, but the company is still thriving), there's no reason to sell – as long as you have time to wait for the stock to come back.

Bear markets occur roughly every 3 1/2 years, so they're not abnormal. Even though they're painful when you're going through them, the average bear market lasts only 9 1/2 months.

That's not terribly long**. *If you can hold on and not get spooked out of the market – and maybe even pick up some cheap shares – you'll do much better in the long run than if you pull the rip cord, frightened that you'll never get your money back.***

If you have several years until you'll need the money you've invested in the stock market, you shouldn't pay attention to the market's day-to-day moves. Even a nasty bear market will have almost no effect on a portfolio that won't be cashed out for another decade or longer (unless you invest more during the bear market, in which case it could have a very positive effect).

On the other hand, an investor who plans to tap some of the funds within a few years shouldn't have that money exposed to potential volatility. I always recommend taking any cash out of the market that you'll need within three years.

Anything can happen in a three-year period. If your timeline is longer, you should be OK, as bear markets typically last less than a year.

Here's a practical example of how I handled a situation with a definitive timeline.

I invested in a RESP account for my daughter's University education.
As she approached the last two years before she would need the money after high school, I started getting more conservative in her portfolio, moving about 25% out of stocks and putting it into fixed income and cash. Each year, I moved another 25% or so to mostly cash. I knew that if the market continued higher like it did in 2023 and 2024, those funds would not grow. But I also knew that if the market crashed, I'd still have enough cash to pay tuition.

I was able to use the market's strength to my advantage. Because the market was so strong the past two years, I was selling high and could sell fewer shares than I would've had too previously. I had the cash for school, but there was also some left over that I could allow to grow along with the market.

However, I take a much more hands-off approach with my retirement accounts. I am hopefully years away from hanging up my laptop, so when the market tanks like it did in 2022 (or like it's doing now on a smaller scale), I don't even think about it in regard to my personal finances.

The market goes up over the long term, and even if there's an extended period of time that it doesn't perform well, its trend over more than a century is unlikely to change.

So, think about your timelines. Put money in buckets if you need to – short, intermediate, and long term – and adjust those buckets based on your needs, not what the market is doing.

You'll feel more in control, and that will help you sleep at night. Plus, you'll have the cash you need while still maintaining some exposure to the long-term growth that the market provides.

As always, if you still have concerns, call me to discuss.

Thank you,
John

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