

Investment Strategies for Uncertain Economic Times



We are living in uncertain times. With issues ranging from the COVID-19 pandemic to climate change to international conflict, the world is full of unknowns. While disruptions in our daily life can create uncertainty and fear, they can also bring reflection, contemplation, creativity, and fresh perspectives.

When it comes to the area of finances, I think it's especially important for investors of all ages to stay focused on a plan. In the words of Peter Drucker, "The best way to predict the future is to create it."

From an economic perspective, the United States experienced two consecutive years of immense growth, with the S&P 500 increasing 16.3 percent and 26.9 percent in 2020 and 2021, respectively.

In 2022, however, we are seeing inflation, which is putting pressure on family budgets and erasing wage gains.

The February consumer price index, which measures changes in the cost of food, housing, gasoline, utilities, and other goods, rose by 7.9 percent over the past 12 months. That's the largest inflation surge in 40 years. There is concern that we could soon enter a recession.

Saving for the future is something most people worry about, and for good reason. But, if the recent volatility in the stock

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market has you concerned, consider this: History shows us that the long-term trends in the stock market outweigh periods of instability.

For example, the S&P 500 has gained value in 40 of the past 50 years, generating an average annualized return of 9.4 percent. While no one can predict when—or where—a downturn will happen, it's important to remember that markets have historically and consistently had sustained periods of recovery.

These are three important things to keep in mind as you create a secure, prosperous plan for the future:

1 Prioritize Your Emergency Fund.

Your emergency fund is money you save for unexpected events like an illness, an accident, or the loss of a job.

For most people, having three to six months of living expenses in this fund is optimal.

2 Keep Debt in Check. Consider your student loans, personal loans, and credit card balances. During the last three months of 2021, credit card balances increased by \$52 billion to \$860 billion, the largest quarterly increase in the 22-year history of the data. Even so, credit card balances remain \$71 billion lower than pre-pandemic levels at the end of 2019.

3 Focus on Your Long-Term Goals. It's a good time to step back, review your portfolio, and remind yourself of your long-term goals. Why is my portfolio made up of these investments? Why am I investing in the first place?

Investing for the future is one of the most powerful things you can do! Here's why:

- **The Power of Compound Interest.** Compounding takes reinvested earnings (meaning the amount that an asset earns each year is added back to the original investment amount) and pays dividends. It uses those reinvested earnings to help appreciate the value of your stock by a greater margin each year. Accounts that earn compound interest include savings accounts, money market accounts, zero-coupon bonds, and dividend stocks.
- **Remember the Long-Term Proposition.** Investing is long-term by nature. Constantly checking your investments is not only unnecessary, but often a source of added stress. The same goes for overconsuming news about the market.
- **Women and Investing.** Studies show that women trade less than men. But, they may actually come out ahead by their investing restraint. Specifically, men trade 45 percent more than women, and this tends to reduce their overall net returns (an effect that is compounded by the higher taxes, commissions, and fees that may result from trading).
- **Let's Clear Up Misconceptions.** Many people are afraid to enter the world of investing because they are afraid of losing money. Others are under the misconception that you must invest a lot of money, when in reality, you can begin your investment journey with as little as \$100.
- **Modern Technology.** There are a wide variety of tools available for financial education and management. My firm, for example, recently launched alooola, a technology-driven solution designed to meet the needs of the next generation. Through a modern app, alooola delivers education and high-quality financial advisory services to a wide-scale audience. 📱



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