

6 RULES FOR INVESTING

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*Witt's
Wisdom*



Bull markets are more fun than bear markets. But they both happen. Sometimes when we least expect it. Here are some simple rules to follow for both.

Rule 1. Have a plan. Intelligent investing isn't a get-rich-quick proposition. It is rather a process that allows investors to reach carefully crafted financial goals over time. Younger investors may opt for more risk in an all stock portfolio, while retirees may pursue an investment strategy that includes guaranteed products to limit market risk and maximize their income.

Rule 2. Stay focused. With all the noise in our 24/7 media driven society – this is a key item. Stick with the goals you established in your plan. Stick with your asset allocation model; the percentage of stocks and bonds that best fits your risk tolerance. Adjust your asset allocation as you get older or as your family circumstances change.

Rule 3. Beware fear and greed. Don't allow your emotions to cloud your judgement. Sharp declines in the market can cause fear leading to bad decision making. Sharp increases in the market can lead to euphoria which can lead to overconfidence and a deviation from your goals. You will be a much better investor if you can keep your head about you when all others are losing theirs. When you find your emotions running high, step back and analyze the situation. Be patient, nothing lasts forever.

Rule 4. Buy low, sell high. This seems obvious, but the average investor is bullish at market tops and bearish at market bottoms. Your financial plan will address

both bull and bear markets. Don't allow yourself to become overly optimistic during a bull market or overly pessimistic during a bear market.

Rule 5. Rebalance periodically. Successful investors don't try to predict which way the markets will turn. That's folly. They rebalance periodically. Rebalancing means once you have decided on the proper percentages in your portfolio (stocks vs. bonds), you periodically and systematically measure your holdings and make purchases and sales to keep your mix on target. Rebalancing is actually "buy low, sell high" in action.

Rule 6. Maintain peace of mind. If you had more money than you could ever spend, it doesn't mean life's problems will magically disappear. Conversely, if your nest egg disappeared, you will find a way to survive. Remember, more money doesn't always equal more peace of mind. I've met people with lots of money and no peace of mind and people with limited money who are completely at peace.

Like all rules on Wall Street, these are not to be considered "all there is" and there are exceptions to every rule. But these rules will help guide you to look beyond the latest headline or your gut emotions.