

My Answers to Two of the Most Common Investment Questions

During my 55 years in the investment business, two of the questions I have received most often while talking clients and customers, are “Should I get out of the market?” and “How should I weight my portfolio?”

The answer to the first question is easy, no. Stay invested. Jumping in and out of markets will only make you miss days you’ll wish you hadn’t.

The answer to the second question is straightforward but might take more discipline on the part of the investor to implement. It is *balance*. You should always aim for a portfolio that works to counterbalance risk. Here’s how I explained balance and staying invested in September 2013:

Harleys, Records, and Winchesters

It was 1957, and I owned all three. Today, 56 years later, I still have a Harley. The very same Winchester sits on a rack four feet from where I am writing to you. And my record collection could fill a closet. My current Harley is not the same old oil dripper from 1957, and my portable RCA record player has been replaced by an AR/Dyna system from the '60s (still pretty vintage). On my desk is the single investment book I have ever relied on, Ben Graham's Security Analysis, published 51 years ago. So a lot has stayed the same for me for over 50 years, since I first entered the investment business. There has been no reason for me to change my basic approach. I continue on making timely adjustments depending on the economic and investment climate at the time. Here is my approach in a nutshell.

As Always, Stay Invested, Stay Balanced

I rely on balance, compound interest, low turnover, dividends, and interest. That's it. I do not market-time, and I stay invested in a finely tuned and balanced all-weather fashion. I have written in the past that I can be your economic and financial market weatherman, but I cannot be the weather. I tinker with my portfolio based on conditions as I read the daily tea leaves. I add to my portfolio to maintain balance. And I stick to a basic group of dividend- and interest-paying securities that I have followed for a long time. I invest to receive a stream of dividends for compounding. My annual returns show a general pattern of consistency with much less volatility than many other approaches.

Commit yourself to staying invested and to keeping your portfolio balanced. You'll be glad you did.