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INVESTING in these uncertain times

INVESTMENT OUTLOOK

Financial experts believe slow growth is likely to continue in the economy with a modest rate of improvement. The partial government shutdown and debt ceiling anxiety in October may slow the pace of Q4 economic growth. The unemployment rate, which has dropped from 10 percent in 2009 to 7.3 percent in August, is expected to show a continued slow decline. Like-wise, the number of jobs added each month averaged around 180,000 this past year and should also continue at that pace. Currently there are no signs of inflation for the economic forecast.

"There always has and always will be some sort of conflict over these types of issues: Do we want to spend money or do we not want to spend more money?" says Charles Flowers at Abacus Planning Group. "Definitely there is light at the end of this tunnel. There will be a resolution because, overall, our future desires are fundamentally the same: we want the opportunity for a better future."

Flowers says one major issue that stands to greatly influence our economic health is unemployment. "Employment continues to be a serious issue, though it's often overlooked in comparison with budget and debt ceiling talks. The economy works on a circular pattern so if employment performs poorly, there will consequently be less consumer spending, a slower growing economy, and slumping markets."

ADVICE TO INVESTORS

Financial advisors all concur that hasty decisions triggered by fear are the worst mistake investors can make in this current environment. Edward Jones' Quarterly Market Report advises investors that though "the road ahead could be bumpy, don't take the exit ramp."

Flowers warns investors to maintain perspective. "I advise my clients to carefully weigh what I call the 'noise-versus-news ratio.' If they proactively decide to block out the short-term noise, they'll be able to obtain a more realistic assessment of the situation. The last thing we want to see is someone jeopardizing their portfolio by pulling the trigger on risky moves born out of fear."

He continues, "Could the debt ceiling debacle hurt us? Sure, if this is something that comes up every 6 weeks with only short-term solutions and continuing debates. In that instance, it could very well impact the U.S. and create real trust issues in the market."

Financial planners concur that asset allocation is still the prudent way to invest without taking huge bets on any one sector or asset class.

"I advise my clients to talk about risk in three ways," says Flowers. "First, risk tolerance is when you must make sure your investments and risk tolerance are close. Second, determine how much risk you can afford. Third, gauge your risk perception. Do you perceive trouble at hand because of the nightly news report on Washington D.C. disagreements or have you perused the company's balance sheets? It's important to not let perception drive your decisions."

Most importantly, do not make anxiety-driven investment changes with long-term implications. Instead. adequately prepare yourself to accomplish established long-term goals by reviewing your investments, raising the quality of your investments and preparing yourself emotionally. Keeping your eyes on the end game rather than the short-term bumps in the road will ensure a stable financial outlook.

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