

Being An Investor

There are few things harder in the world than being an investor. When conditions are good and the markets are running, it means showing restraint from taking on too much risk, even when recent returns are painfully attractive. When markets are tough it means hanging on and committing more capital if possible, even when others are throwing in the towel.

It also means looking past conditions that present themselves today, to what the possibilities and perhaps likelihoods are for tomorrow. It also means seeing value where others see risk, especially when markets dip.

Eye of the Beholder

It is a natural trait in human nature to project what is happening today to continue to occur indefinitely into the future. History, of course, suggests that conditions will change in the future. Early in my career you could find deposits at banks that would pay you more than 10% interest for just agreeing to leave the money at the bank for two years. If you have shopped that same rate recently you know it is, as someone recently put it, "next to nothing".

Tomorrow's Price

No one can be exactly sure what something will be "worth" in the future. What we can know today is limited and that cannot tell us what is in store in the years ahead. Our challenge in "trying to get ahead" is to employ money in opportunities that can grow at a rate that exceeds the impact of inflation and taxes.

Over long periods of time "guaranteed rates" rarely beat the one-two punch of taxes and inflation, causing investors to look at investments that offer an opportunity for greater growth. These stronger growth opportunities vary more in price each day and involve greater risk to the principle invested. They are also the ones that have the potential to go up more in value with time.

Recent Market Jitters

I had written a completely different issue yesterday which I will send out in a few weeks. The poor jobs report that came out today, June 1st, here in the US and recent news coming out of Europe suggested a different message for the audience. As markets correct and current economic news is disappointing, it is natural to have concern that what you own has fluctuated down in value. If market and economic dynamics suggested investments would not recover in price, then selling would be a good idea. Viewed

positively, market jitters can serve a valuable function in causing us to evaluate the investments we own.

Harvest or Planting Time?

In your mind, will the world economy grow or decline in the future? Again no one can know for sure, however there are trends and certain human needs that we can project. We all need food, clothing, shelter, medical care, energy and many other things. Also, it seems to be in our nature as human beings to always seek to improve our lot in life.

Ivy Funds weekly market update on 5/28/12 quoted an interesting statistic coming from Bloomberg: *in less than 40 years, by 2050, 7 of every 10 people will live in an urban area. This dramatic shift is expected to occur as financial prosperity increases and should continue representing a vast investment opportunity.*

We can't be certain, however there are some very good indications that we may be in a good season for planting seeds, that is, for making reasoned investments in today's opportunities.

Perspective

Money that Susan and I have in retirement plans and other investments will not be needed in the next 5 years, but rather over the next 25-35 years. On the contrary, we invest a little more each pay period to help prepare for retirement security. In a little over 10 years we will begin calling on some of that money to generate income.

We know that markets will fluctuate up and down during that period, but we believe the trend (with interest and dividends reinvested) will generally be up. As more humans around the globe seek prosperity, we'd like to participate in that trend and earn a return on the dollars we make available to companies and governments to support that process. How about you?

Bottom Line

Investing is a decades long process. We save and invest to have assets that will permit us to not have to earn a paycheck at some point in the future. Along the way our interest and dividends have a chance to compound. Some statements in the years ahead will show that things have gone up, others will show that we have added to investments when prices were lower. As world population and the push by many for a higher standard of living grow, it is likely that we and other investors will see a good return during these years. If you need any other encouragement, please give me a call.

Your Feedback

I would love feedback on this newsletter. Future issues may include a host of good ideas, insights, specific steps to take financially, life insights and of course "Wit and Wisdom". Most importantly, I'd like it to be of value to you and to encourage an exchange of great ideas and insights. Please send your feedback to:

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