

Calm In The Midst Of The Storm

In 1983 a friend of mine shared with me that Rudyard Kipling's poem "If" was something that guided him through all the ups and downs in his life. Written for Kipling's son John, it is very likely that the poem is a tribute to the Scots-born colonial adventurer Dr. Leander Starr Jameson, whose tumultuous but principled life likely inspired many of the strengths expressed in the four eight-line stanzas. Every time difficulties arise in life or the markets become shaky, this collection of wisdom, which has hung in my office for more than 3 decades, comes to mind.

<http://www.poetryfoundation.org/poem/175772>

Keep Your Head

Whenever markets move quickly, especially when they go down quickly, people fear loss. This is a very natural reaction for any human being. Keeping one's head, meaning thinking from the logical rather than the emotional side of one's being is very challenging in these moments. Fear of loss is a very powerful motivator for anyone. Acting on that fear often results in selling low, usually not the best recipe for investment success. Keeping your head can be very important to long term investment success.

Trust Yourself

Confidence is such an important trait that measurements of overall public confidence are among the most watched economic indicators around the world. You see, how we feel is a transitory thing and yet it impacts the billions of decisions people make around the world that help or hinder global economies. When it comes to investments, if you have sought advice, diversified your investments and set up mechanisms for periodic reviews, then it is time to trust that you have put a solid process in place.

Triumph and Disaster

Market highs and market lows can feel like winning or losing. Kipling's words to "treat those two imposters just the same" has some practical things to offer all of us as investors. Selling at a profit feels great until what you've sold goes even higher in price, so the triumph now feels like an imposter and you can actually experience a feeling of loss in the situation. In early 2009, some people sold before a period that would see the market more than double, accepting disaster at a moment when it could be argued that the market was offering great opportunity. The challenge at the high and at the low is to treat both "imposters" just the same, by not letting either one sway us emotionally too large a degree.

Heart and Nerve and Sinew

Making our way in this world involves a daily application of money for the goods and services we both need and want. Our ability to exchange is precisely what makes markets. Without them, we would have to make, cultivate, hunt and craft everything we need in life. How much any one thing is worth is subject to human evaluation, which can vary day to day and moment to moment. It is an exercise of will to hold on when prices dip and not become discouraged. A certain amount of nerve and strength is required for any of us to succeed as investors.

Bottom Line

Four years ago things looked pretty bad. There was a threat of a government shutdown. On August 5, 2011 S&P downgraded US Government debt to AA+ from AAA. The stock market took a dip. Many people wanted to sell out of the market. Once things settled down the people who had kept their heads, who trusted in their investment process and who weathered that storm, fared pretty well over the past 4 years. No one can know what the next four years will bring us. However, I have confidence that what lies ahead of us is better than what many of the market participants of the past few days think it might be.

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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