

Looking Beyond the Unknowable

For more than two decades we have guided our clients through many different market and economic environments, good and bad. While we acknowledge the weighty concerns of the moment, we must remember the US financial system as a whole has proven extraordinarily resilient over the long run.

One of the keys to financial wellness requires a determination to look beyond the important but unknowable factors that are commonly featured in day-to-day news headlines and to focus instead on what is important and knowable. By doing so we can make rational long-term financial planning decisions despite short-term uncertainties.

Building and maintaining sustainable wealth is a lot like driving an automobile. If we focus too narrowly on the stretch of road just a few feet ahead, we run the risk of making unnecessary adjustments, perhaps over steering or overcorrecting. It is only when we lift our eyes to see the road further ahead that we are likely to reach our destination.

No one said it would be easy. Still, it is important to be realistic, to set proper expectations and to make rational decisions through the inevitable market and economic cycles. For example, we do not know exactly when US home prices will stabilize; we do not know when the US dollar will strengthen; we do not know when liquidity will eventually return to the financial system. Although the issues are vitally important, the timing of when is unknowable.

However, we do know housing prices will stabilize and begin to climb again; we do know the dollar will strengthen again and we do know liquidity will return. We have seen and experienced prolonged bear markets; wars; recessions; an oil crisis; a hostage crisis; periods of double-digit inflation, interest rates and unemployment; political crashes and scandals and stock market crashes and scandals.

“Been There. Done That. Doing it Again.” We cannot neatly package the randomness of human experience anymore than we can the uncertainties of financial experience. Heraclitus said over 2500 years ago, “You could never

step twice into the same river, for other waters are ever flowing on to you.” So, we must tolerate ambiguity; expect the unexpected, for we do not know what we do not know.

What can you do? Look beyond the unknowable. This frees you to focus your energies and resources on what matters. Are you still 10 years or more away from retiring? Then remain focused on building your portfolio. Many quality investments are now “on sale”.

Are you retired? You may need an income that grows and lasts over many years. Do not let current volatility lead you to sacrifice purchasing power and keeping ahead of inflation for the illusion of safety of principal. Your real risk is not to principal but to your standard of living.

Periods of uncertainty offer tremendous positive opportunities. Review your goals. Add to your investments. Face the future with confidence.

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