

Is There an Antidote for the Emotional Investing Rollercoaster?

In the span of a few days in early February the Dow Jones Industrial Average and the S&P 500 lost all of their gains for the year and then some. Global equity markets also sold off and investors who believed the calm period of steady gains and low volatility would remain were rudely awakened.

Extreme bouts of volatility can occur when market players are forced to sell because of strategies gone wrong like “portfolio insurance” (1987), leveraged bets on bonds and other positions (1998), or the recent bet on volatility itself remaining low. As prices fall, there’s a rush to the exit and other investors – caught in the maelstrom – are forced to sell.

At Wealth Strategies Advisory Group, we offer an investment platform for accredited investors known as The Household Endowment Model®, which we believe can insulate individual investors from fear-based selling that damages portfolios. Our model is rooted in diversification. Managers invest in a broad range of opportunities, asset classes and investment styles. This helps smooth out returns and reduce risk.

By building a portfolio with investments that have a low correlation to each other, the managers within The Household Endowment Model® are able to generate higher risk-adjusted returns than may be available within a portfolio that isn’t diversified. Research in modern portfolio theory often affirms this point.

Another important distinction is our managers’ investments in nonpublic securities and private markets. While this type of investing requires longer time horizons with limited liquidity needs, it does offer the ability to pursue asset classes where ample opportunity abounds for patient investors. Private investing also isn’t subject to the volatility that occurs in publicly-traded equity markets.

We know it can be tough to avoid the emotional rollercoaster when markets become unsettled and not make the common mistake of buying high and selling low. Our hope is to start a conversation with you about the benefits of developing an investment plan focused on your long-term goals. This type of investing can help insulate you and your portfolio from behavioral biases that could negatively influence your decision making during times of market upsets. Call us today at **(480) 889-8985** to find out how The Household Endowment Model® fits in your investment strategy. Also, be sure to download our free whitepapers at www.thehouseholdendowmentmodel.com.