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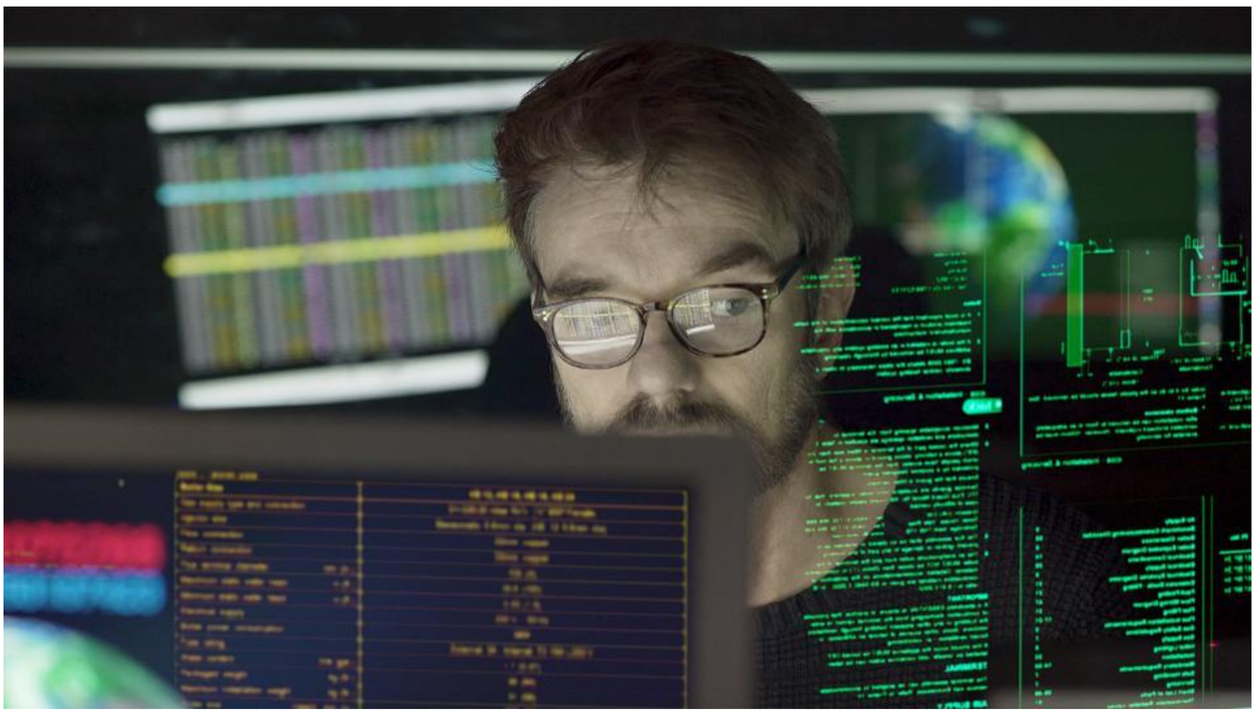
Learn These 2019 Market Lessons Or Doom Yourself To Repeating Avoidable Mistakes

By Chris Carosa



The (mostly) ups and downs of the 2019 market taught retirement savers invaluable lessons. But many may have missed the most important lesson.

As 2019 approaches its conclusion, the stock market continues to reach all-time highs. It's almost enough to forget what happened last summer.

But you should remember how you felt when the market fell nearly 10% in August. And in May. Did you remember both of those drops? It's tough to remember both of these sudden declines when the market is up roughly 25% for the year.

“I think the top lesson 2019 showed retirement savers is that market volatility is going to be an ongoing fact,” says Michael Gerstman, CEO of the Dallas-based retirement planning firm, Gerstman Financial Group, LLC.

In a way, it might have been a good thing if you were numb to these quick tumbles in 2019. “We’ve seen some precipitous drops in the market at times,” says Bill Hines, President/CEO of Money Coach Group, Inc in Nazareth, Pennsylvania. “Although they’ve been very short-lived, they do reinforce the lesson to just ride it out.”

If you didn’t learn the lesson of staying put in volatile markets until 2019, then you may have learned it too late. Stephen H. Akin of Akin Investments, LLC in Biloxi, Mississippi, warns, “Don’t overreact to short term market fluctuations. The late 2018 decline pushed some retirement account investors into cash that resulted in them missing out on the 2019 market recovery to new all-time highs.”

The past twelve months has been an instructive case study in market behavior. Investors who can restrain their own behavior have benefited. “The primary story of 2019 has been the stock market climbing a wall of worry,” says Daniel Beckerman, CEO of Beckerman Institutional in Ocean Grove, New Jersey. “Despite trade war concerns which have flared, the Iranian attack on a Saudi Arabian oil facility, and concerns about ‘Brexit’ (England’s plan to exit the European Union), the stock market has hit record highs.”

“Stay the course” might be one of the lessons of 2019, but you can return to the summer for another important lesson. Do you recall all the talk of the “imminent recession”? (Apparently, it’s been postponed due to favorable economic data.)

Who can blame you if you have forgotten this dire (and inaccurate) prediction?

“You should not listen to the negative pundits,” says Paul Ruedi, CEO of Ruedi Wealth Management, Inc. in Champaign, Illinois. “I find so many investors that read all the articles from ‘experts’ warning people to go to cash or reduce equity exposure based on a forecast.”

Paradoxically, the less than attractive return potential of cash and bonds provides an ironic boost to equities. “Despite echoed fears that stock markets are overvalued, they continued to hit all-time highs,” says Michele Lee Fine, President of Cornerstone Wealth Advisory LLC and financial representative with Guardian Life, in Long Island, New York. “Some of this is driven by investor appetite as investors are getting very little to no yield on generally safer fixed income positions. In a persistently low interest rate environment, stocks may well continue to rise as demand for potential returns continues to rise.”

This, in turn, hints at yet another lesson, one learned over the years by experienced investors. It is “the folly of attempting to time the market,” says Robert R. Johnson, Professor of Finance at the Heider College of Business of Creighton University in Omaha. “With respect to investments, if one watches the 24/7 economic news, it would appear that one would need to make portfolio adjustments in anticipation of a recession. Nothing could be further from the truth, particularly for people with a long time horizon to retirement. Investing without a plan is like driving without a roadmap or GPS."

You no doubt have learned the lesson that the media's objective of building and keeping an audience does not necessarily translate to what moves the market.

"The stock market and the news are not correlated in the way that might seem intuitive," says Beckerman. "Retirees need to focus on things that they can control. Investors can control things like their asset allocation, having a financial plan in place, having a risk management process, having an estate and long-term care plan. A lesson from this year's counter intuitive stock market performance, is to focus on things that are within the retiree's control. Looking at the stock market on a daily basis, as many retirees do, is not going to make them any better of an investor. In fact, it tends to lead investors to do worse because of the tendency for people to want to sell when asset prices are cheaper and buy when they are more expensive (the opposite of value investing)."

Perhaps you might call it the Serenity Prayer of Personal Finance. It's knowing the difference between those things you can personally govern and those you cannot. "Your investment, spending, and saving pattern should be dictated by your own personal style and needs and not by forces that you cannot control," says Alex Murguia, Ph.D.; CEO; Retirement Researcher, McLean, Virginia.

Finally, when you put all these lessons together, you come up with the most important of all. "The top lesson you should have learned from 2019 is you should plan for the worst, hope for the best and enjoy today," says Ron Haik, Senior Financial Advisor & Regional Manager, Ontario at Nicola Wealth in Toronto. "To balance all three is imperative.