

Ask the Advisor

“Should I sell when the market goes down?”

Herb in Quincy



If you're talking about the stock market, "No," you should sell when you need the money and not worry about whether the market is up or down.

Much more important than what is going on in the stock market is your individual need.

If you need the money in a year or less, say for a down payment on a house, the stock market can be a terribly risky place to put the money. Over a short period, the stock market can be a real roll of the dice.

If you won't need the money for ten years or more, the market is almost always a terrific investment – one of the best.

In fact, to find the last negative ten-year period in the stock market, we have to go back to the crash of 1929. The stock market can be a great place to invest your money if your okay with risk and your needs are long term, you'll likely come out far ahead.

If your needs are somewhere in between short and long, perhaps

you are retired or retirement is just around the corner, then a combination of stock with cash equivalents and fixed income will likely best serve your needs.

Cash equivalents and fixed income are simply loans you make to someone else. If you loan money to a bank, it's called a certificate of deposit; to the US Government, it's called a treasury bill, note or bond; to a state or city it's called a municipal bond, and to a company, it's called a corporate bond. Each has different risk and different return.

So forget about what the market is doing. If your need is short, think money market or interest bearing savings. If your need is long and you're okay with risk, think stocks, but diversify. If your need is in between short and long, think stocks with cash equivalents and fixed income.

Setup the portfolio that is right for you and you won't have to worry about the market!