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## **Making par should be the goal for everyday investors**

By Brian Loy, CFA, CFP  
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It's almost that time of year when you can play a round of golf and ski on the same day. And I always find the type of equipment people pull out of their golf bags entertaining. Some clubs are weathered and scarred. Others are melon-sized drivers representing the latest and greatest technologies. And more entertaining are the people behind the clubs. Isn't it funny (and I'm talking amateur golf here) how it's often the old timers who play whack-straight-whack-straight-putt-plunk often beat those like me who play "crush for distance" and whack-where'd it go? They tell me, "Brian, I play steady and consistent, might not be long, but I'm in the fairway, and I finish strong."

It is great advice for investors, too.

What a difference a year makes. In one year, the Dow and S&P grew over 60% from their March 9, 2009 lows, the NASDAQ over 80%, and overseas, China (Hang Seng) and Brazil were up close to 90%. While US stocks are about 25% below their highs from 2007, it's hard to ignore the rebound. Some question whether it can be maintained (e.g. a weak economy, deficits with eventual rising interest rates, overseas weakness (e.g. Greece and Spain), and China's potential real estate bubble). And others are simply frustrated – if you bailed on US equities, and didn't get back in at Dow 7,000, 8,000, or even 9,000, how you going to get back in at 10,000?

I'm no forecaster, nor am I an economist. Rather, I'm a student in history. Every time I hear "this time it's different..." I shudder. Global wealth will expand, as long as capitalism prevails and the population on Mother Earth grows. There will be more people to shelter, cloth, and feed and educate, and they'll demand more goods and services to lead more satisfying lives. And as natural as that permanent upward slope of wealth, so are the unpredictable corrections that will occur. Some of these crisis du jour will be natural disasters; others will be caused by man. And I have confidence we'll rise to and overcome those challenges because humans in general are problem-solvers, often at our best when times are darkest.

Once you can accept the facts that corrections will occur, and that they are not predictable, only then can investors confidently and consistently save (or responsibly spend) through those periods, and employ prudent investment strategies to manage through those meltdowns. Perhaps it is with strategic asset allocation (a more static approach where investor maintains his/her allocation regardless of market conditions, but revises the allocation as life or goals change), or for others, it's tactical asset allocation (a dynamic approach where allocations change as market behavior/herds shift). (Note: I'm pragmatic and use them both). My key advice is find a system that works for you, makes sense to you, and most importantly, allows you to sleep at night.

Like golf, keep it consistent, and playing the middle of the fairway should keep you out of harms way.