

## *WE CANNOT HELP BUT ADMIRE THEIR PATIENCE AND FIDELITY*

With the warming temperatures of spring and emphasis on appreciating mother earth by going green, a visit to Valley Forge National Historical Park may be on your family's short list. One of the most inspirational sights is the memorial arch, perched on a hill and overlooking the rolling landscape. On the southwest side of the arch, a quote from George Washington reads: *"We cannot help but admire the patience and fidelity of the soldiery."*

Our revolutionary soldiers were faced with steadfastly remaining true to their course of action, despite the life-threatening nature of their investment in the cause of liberty. Persistent volatility was a way of life in the short-term, and for many resulted in death. And yet they remained faithful to their course.

I am always moved when I spend a moment considering the commitment of these devoted patriots. I believe they understood the meaning of long-term. The cause of their current actions was intended to affect the remainder of their lives - as well as the quality of their legacy to their children and extended families.

This message may be taken to heart by investors facing current uncertainty in the financial market landscape. Fortunately the consequences - while unsettling - are not life and death. *Read on* to learn what you may have to look forward to in the coming months, as well as what may affect your investment success.

First, why the intensity of this market volatility? I liken it to the fable of "The Goose that Laid the Golden Egg." The farmer who killed his goose to get more gold - faster - overlooked the risk he was taking by killing his goose.

In the banking and investment banking industries, problems intensified early in the 21<sup>st</sup> century when banks all started lending to the same group - because that's where the loan volume existed. That's where they could make more money, faster.

As banks competed with each other to make loans, they started modifying the terms - *for example, offering no-documentation or low-documentation loans* - to attract more customers. In other words, they took more risk without consideration of the potential negative consequences.

The result was loans that were not priced high enough to compensate the banks for this additional risk they were undertaking. Banks ultimately became simply too aggressive, and got into trouble. Can't you just see that farmer killing his goose to get all that gold?

Financial markets inevitably got hurt; declining confidence ultimately brought valuation levels down. Investors, in turn, have confronted minus signs on 2008 investment reports. While it is not possible to predict whether the worst of the bad news has been revealed at this point, there is a potential silver lining.

The potential silver lining for the coming months is that Wall Street prices are now reduced. For the patient investor, Wall Street 'on sale' offers solid long-term opportunities for profit. Such benefits have been noted by famous investment guru, Warren Buffet. He attributes his success to the simple philosophy, "Be fearful when others are greedy and greedy when others are fearful." In other words, buying 'bargains' just makes sense.

While accepting lower portfolio valuations in the short-term, what might we do to help impact our long-term success? A crucial factor in investment success is investor behavior. That may sound self-evident, but it is sufficiently critical to have spawned an entire academic discipline - Behavioral Finance.

Right now, two common investor behavior challenges are:

- Staying fully invested, despite the temptation to act because of volatility.
- Reaffirming the long-term *time horizon* that prompted your investment allocation in the first place.

If you and your family do not have a written Investment Policy Statement, this may be the perfect time to contact your financial professional for assistance. Language similar to this may help satisfy your family's Time Horizon commitment:

*"Since we intend this portfolio to last the rest of our lives, and then we intend to donate it to charity or bequeath it to our children, our investment horizon is 50 - 100 years. How our investments fluctuate in the days to come matters less than how we behave as investors in the decades to come."*

We will never be able to control financial markets, but we can patiently lead ourselves and our families past short-term noise and faithfully focus on our long-term investment purpose and strategy.

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