

Picking Low Hanging Fruit

by Leo Abel

Very often when I am counseling clients they bring to my attention the amount of money they have "lost" over the last year and a half within their investment portfolios.

Looking at my personal investment portfolio held for my family's highest financial desires, it certainly has not been immune to the "losses" which clients and investors worldwide have felt over the last year or so.

My belief in the plan my wife and I have adopted, though, has not weakened as a result of the cataclysms within the financial markets. Rather, *we have continued to act according to the plan* which includes regular deposits into the portfolio at what has been ever-lower prices during this period of time.

Why would we not treat lower prices within a portfolio of high quality investments as an opportune time to add to the account?

I can think of many of *what I believe to be ill advised reasons*, but the primary one comes from listening to the financial news media; which states that investors should not meet lower prices with opportunism, but rather, as an opportunity to "get out" because this crisis is "different" and you must get what you can and keep your money "safe" (whatever that means)!!! Great investors understand that falling prices bring with them the opportunity to increase positions in exceptional businesses at discounted prices and they continue to act on that conviction even when (and often especially because) the world seems to be ending.

Everyone's financial situation is different in terms of where they are in life. For instance, many who are early in their careers have long time horizons while others are now drawing on the capital they have accumulated during their working years to fund their retirement. Many are somewhere in between.

What I have found is that clients of all ages are not immune to the constant drum beat of negativity so pervasive today.

Twenty something year olds have been calling my office asking if they should cease contributing to employer sponsored 401K plans until the financial situation "gets better" or things "settle down". They point to how much they have "lost" within their retirement plans and that so and so on CNBC said you should react to this or that data point. My counsel to them is that if their plan is sound and their account is populated with suitable investments, they should continue to add to the portfolio during this period of uncertainty. Historically, waiting until things "settle down" has translated into waiting until prices are much higher.

Conversely, I have many clients who are now drawing upon their portfolios to support comfortable retirements. When I run into people in social settings, they make statements

like, "I bet your retirees are just freaking out during all of this." My experience with most of my clients who are now drawing upon their investments, is that they tend to be less emotional than many of the younger people.

I am sure this seems counterintuitive; but consider the fact that people who are working with us who have a great deal of capital under our stewardship, have been investing for decades. Translated, they have lived through many periods of time where the world seemed to be ending, but never did. They have the perspective that experience brings.

Jonathan Bell Lovelace, founder of Capital Research was quoted in the 1920's as saying, "The stock market is a business, not a gamble.

Business progresses not in an even, orderly fashion, but by a series of booms and depressions. Depressions pave the way for business revivals, revivals develop into booms, booms breed crises and the crises run out into depressions. We have been proceeding in this manner for generations and there is no reason to believe we will ever do otherwise."

This could have been written today. The crisis we are now in the midst of is accompanied by some of the lowest hanging fruit (greatest opportunities) many financial professionals have ever seen in their careers and many thought they never would see. Warren Buffett, perhaps the greatest investor of all time, has been in an acquisitive mood during this collapse as evidenced by his recent purchases. Clients who have adhered to their plans of regular investment into portfolios have behaved (if only on a relative basis) like the second richest man in the world during this bear market.

I encourage others to follow these investors' lead in **taking advantage of the "low hanging fruit" this market is providing.**

Thanks for reading.

Truly,

Leo G. Abel, CFP®

leo.abel@raymondjames.com
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Securities and investment advisory services offered through:
Raymond James Financial Services, Inc., Member FINRA/SIPC
9270 Siegen Lane, Suite 301
Baton Rouge, LA 70810
225-408-4000

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