



Market Update

By Gary Pittsford, CFP®

President and CEO, Castle Wealth Advisors, LLC

The world stock markets have been very volatile the last few days, and I'm sure that you are concerned where our economy is heading. We don't know right this minute how long this volatility will continue, but we do know that making important asset management decisions based upon one or two weeks of financial news is rarely a winning strategy.

At this time you need to remember that the diversification of your investment accounts are meant to protect you for the next 10 to 20 years and not for a bad week or month in the stock market.

We want you to know that our investment committee is always monitoring our clients' asset diversification and making changes from time to time when necessary.

We know that times like these can be stressful so we want to assure you that we are readily available to discuss what is happening in the markets and the impact on your portfolio at any time.

What is happening now?

The stock market decline over the last 30 days has been analyzed constantly by the financial news media. Some news experts blame the Chinese Economy and their currency. Others blame the oil industry around the world, and some point to the Federal Reserve and the possibility of rising interest rates. The important point to remember is that financial markets around the world deal with changes constantly. Adjusting stock prices and corporate earnings are things that happen every day. It is impossible to know exactly where the stock markets are heading, and exactly which assets to own, that is one of the reasons that diversification is so important to protecting your different investment portfolios and your overall net worth.

The stock market has had a tremendous run the last five to six years and we all knew that we were due for a correction. We didn't know what would cause the correction but we knew that one was coming.

A look at the past

When you look at the last 30 to 40 years you will find that it is fairly normal for the stock market to drop about 5% one or two times a year. It is also normal and healthy to drop approximately 10% every 2 to 3 years. This recalibration of values for stocks and bonds is good and healthy.

In 2010 the stock market dropped approximately 15% and in 2011 it dropped close to 18%. All of these drops in pricing is very uncomfortable, but they did not mark the end of a bull market or a growing economy.

The only reason to panic during these down markets is if you need all of your assets liquidated within one or two years. If your goal is to have assets that will protect you over the next 10 or 20 years then these down turns in the stock market provide you with a window to rebalance some of your assets, and make a few purchases at a lower price.

A quote from Warren Buffet: "Price is what you pay; value is what you get. Whether we are talking about socks or stocks, I like buying quality merchandise when it is marked down."

Remember your Allocation

Castle Investment Advisors is a long term wealth management firm, and our investment committee works very hard to provide diversification for each client based upon their personal financial goals.

Most of our clients are not 100% in the stock market. Most accounts have some equities which provide long term growth and dividend income. During these volatile times in the market our clients know that they have a percentage of their assets in various bond investments which may provide taxable or tax-free income. Also, almost every client has a high percentage of assets in what we call diversifiers that are meant to not follow the stock market. These diversifiers are not correlated with the normal stock market and therefore provide a higher level of stability.

All asset managers, which manage for the long term, have diversified accounts. Large pension funds are well diversified to protect their retirees. Trust departments diversify their Trust accounts to protect their clients and private wealth management firms, like ours, also provide each client with diversification in order to protect their net worth.

We want you to know that our investment committee is always looking for bargains to buy, but during these volatile times we are trying to analyze not only which assets might be a bargain, but what is appropriate for your accounts that match your long term goals.

If you are concerned about the stock market or our economy, please don't hesitate in contacting us at any time.

As I said before, adjustments in the financial markets are normal. In a few weeks, or a few months, good news about the markets will outweigh the bad news.

Please call anytime.

Sincerely, The Castle Investment Advisors, LLC Investment Team



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