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## **FIVE RECESSION-PROOF HABITS OF GREAT INVESTORS**

Ask anyone how to make money by investing and chances are they will say something like ‘simple, buy low, sell high.’ Ironically, that is *the exact opposite of what most people do*, and what separates great investors from dabblers. Billions poured into the markets early last year when the tech stocks were soaring, while billions are being pulled out of the market now because stocks have fallen off and people are giving into their fear. Here are 5 ways to get through a recession and come out winning:

1. **Don’t Sell.** Remember those average annual returns we keep quoting (you know, since 1925 the S&P 500 has earned 11% per year on average, 90 day Treasury bills 3%, long-term bonds 5%, and small company stocks 12%)? Guess what? Those returns include bear markets. Lots of them.

2. **In fact, BUY.** If your favorite a can of soup normally sells for \$1.50 and today is marked down to \$0.75, wouldn’t you stock up? Why wouldn’t you do the same for your investments? **This is the time** to add to your investment accounts. **This is the time** to make sure you are saving enough in tax-deferred plans such as IRAs and 401(k)s and pension plans. Our mutual fund managers are picking up fabulous companies selling at a discount. In terms of a sale, it doesn’t get much better than this.

3. **Don’t Confuse Volatility with Loss.** Volatility and fluctuation are indicators of a “normal” market. Selling due to fear is incurring loss. The markets may continue to look ugly for a few more months. But if you feel like the market will never rise again, ask yourself this: five years from now, do you think that great American corporations such as G.E., Intel, Citigroup and Merck will have higher sales and earnings? (*Just in case, the answer is a resounding YES!*) Remember that since World War II, there has never been a 5-year period during which the investment markets lost money. And those 55 years included the Korean and Vietnam wars, the U.S./Soviet missile race, the oil shocks of 1973-74, 18% inflation rates, Watergate and Richard Nixon’s resignation. Why would today be any different?

4. **Ignore the Headlines.** Investment magazines, newspapers and shows are there for one reason, and for one reason only, to make money. How do they do that? By scaring you into watching and/or reading so that they can sell advertising. When times are good they try to make you feel like you are not doing well enough. When times are bad they try to make you feel like you could have avoided it. (As if the “experts” did.) Don’t buy into it. To paraphrase financial author Ric Edelman:

*Shouldn’t a great investment magazine tell you to skip this issue, save your money and just continue to do what they told you to do last month?*

5. **SAVE First, Invest Second.** *The single best financial move that you can make is to save regularly.* Adding to your investment portfolio on a monthly or quarterly basis is a surefire way to achieve wealth. For example, consider a theoretical \$500,000 portfolio which earns an average of 8% per year. After 25 years, that portfolio grows to \$3.4 million\*. ADD \$25,000 a year to that portfolio (on\$2,083/month) and that portfolio now grows to \$5.3 million! Your 25 annual deposits of \$25,000 (or \$625,000 total) gave you an additional \$1.8 million in portfolio benefits thanks to the magic of compounding. Saving and investing are an unbeatable combination.

Great investors are consistent. They stay the course. They are patient. And above all, they are great savers.

\*Portfolio returns are provided for illustrative purposes only and do not imply any guarantee of performance.

Source: Knickerbocker Advisors, Inc.