

Wednesday, January 23, 2008

## Fighting back

### Investors on edge — again

By Lisa Eckelbecker TELEGRAM & GAZETTE STAFF

[leckelbecker@telegram.com](mailto:leckelbecker@telegram.com)

The whipsaw movements of the market can play havoc with investors' equanimity, but area experts and advisers said yesterday that they have counseled investors to plan for risks, spread out their assets and stay calm.

It's an old lesson, often preached, but one that offers individuals a way to ride out the inevitable ups and downs of markets, even on a day like yesterday, they said.

"Although this isn't great, to some degree it's natural," said Jennifer L. Simes, certified financial planner practitioner with Carl P. Sherr & Co. LLC in Worcester. "It's what happens in the market."

What happened yesterday was a gut-wrenching continuation of shifts that started last year. Market volatility emerged in 2007 as anxiety spread over the nation's declining housing market and the rippling financial impact of bad sub-prime mortgages. In the last few weeks, the Dow Jones industrial average gave up all the gains it made last year.

Yesterday, after Monday's plunging markets worldwide, the Dow Jones industrial average dropped about 465 points before recovering to close down by about 128 points, or a one-day drop of about 1 percent.

For many individuals who watched their portfolios wither during 2000, 2001 and 2002, yesterday's stock market swings reawakened unpleasant memories, some investment advisers said.

"I think there's a lot of people that haven't fully recovered from that, and they're skittish," said J. Michael Grenon, vice president and principal of Grimes & Co. Inc. investment advisers in Westboro. "The thing I try to hammer home to people is valuations are a lot more reasonable today than they were in late 1999, 2000."

Yet the signs of a troubled economy are clear, according to Peter S. Cohan of Peter S. Cohan & Associates of Marlboro, a management consulting and venture capital firm. Mr. Cohan wrote yesterday in his blog that statistics on jobs, wages, consumer savings and borrowing, bank earnings and bank provisions against bad loans all indicate that consumers are financially squeezed and scaling back.

Consumer retrenchment impacts the broader economy because consumers account for the majority of economic activity. Faced with a slowing economy and troubled credit markets, he said, ordinary investors face a choice.

"If you need it (the money from an investment) in a year, get it out of the stock market, because this is going to be a terrible year for stocks," Mr. Cohan said in an interview. "If you have a five-, 10-year horizon, hang on."

Some advisers said they have been slowly altering their clients' investment portfolios over the last year, moving investments from stocks to bonds or out of riskier investments, to avoid the dilemmas that can strike the unprepared during a market correction.

"We already have our clients positioned where they need to be," said Christopher P. Provo, president and chief executive of Provo Financial Services in Shrewsbury. But, he added, "It's not going to insure against a loss. It's a long-term battle."

Yet volatility has a way of sharpening an investor's thoughts about risk. Mrs. Simes at Carl P. Sherr & Co., a brokerage, acknowledged that, even though, she said, her advice to clients about investing for the long term, balancing risks with rewards and creating portfolios that generate confidence even if markets decline for a year or two has not changed.

"The investment plan I would set up for someone today compared to three months ago would be very similar," she said. "People's risk tolerances may change, however."