



Bad Markets Make Good Friends

Well... the seesaw continues in the markets – down 200 points one day, up 275 points the next... a sharp fall, inevitably followed by an equally sharp rise... and funnily, for me at least, it's often the same news that causes swings in both directions. For example, the European sovereign debt crisis led to sharp market declines, then recently, that very issue – but this time with a positive spin - led markets higher... amazingly amusing, if you have it in you to see humor in such things.

As I keep saying, who can say where markets are headed? It's almost as if the bulls and bears are in a constant tug of war, violently jerking control away from one another, to and fro.

I'm sure many of you are concerned that markets could tank even further. And I don't blame you – because there is a lot of media chatter about economic weakness and markets dropping even more, especially in light of zero job growth in the U.S. in recent weeks.

So - let's assume, for a moment, that the bears do win-out in the near term. Then what? Does that spell the end of your retirement portfolio... and your way of life as you know it??

Well... on the contrary... a downturn could be just the thing you need to get back on your feet. Here's why:

1. Bad markets may make you feel terrible and take your portfolio to new lows... but guess what... they also make you the most money. Because, as I always say, you must take the market's bumps, peaks and valleys in stride, and as Jerry Garcia said... just keep truckin' on... which, in Pomeranz-speak means – keep investing, through highs and lows.
2. Because a down market is a great opportunity to buy good companies at great, bargain-basement prices. Over time, such stocks deliver astounding returns when the market recovers, as it inevitably does even from its darkest depths and often within a few years – sooner than predicted. So, as long as you keep buying through downturns, stay invested for the long run, and do not exit, time or

otherwise attempt to outsmart the market – you could do very well by simply buying low, holding long enough, and selling high.

3. Another one of my favorite stock market expressions is ... to succeed at the investing game, investors must climb a wall of worry. What I mean is that when markets are down, and your portfolio is all beaten up, it is only natural to get disenchanted. This is also the time when your loved ones may chastise you for not getting out when the going was good (believe me, many investors have been on the receiving end of *that* line) and urge you to abandon the stock market because it resulted in colossal losses. At such times, anti-stock market sentiment is at its peak. And at very such times, it takes tremendous courage to stick to your convictions, to continue to see the big picture, to rationally understand that stocks are the best investment over the long run, and to keep on the path of regular investing.
4. Here's another mind trap: After a long market rise, whether it would be in Gold, Real Estate, or Stocks, past performance will always suggest that the best performing investment during that particular time will seem like the best investment to make NOW! And the worst investment during that period would only be suitable for idiots to invest in. Ironically, the exact opposite is true.
5. In fact, while you are in the accumulating and savings phase, you should cherish bad markets, just as you cherish good friends – because they nourish you for long-term success. The time to want high prices is when you are in the distribution phase – taking money out of your portfolio for retirement, college tuition, etc. Now granted, at all points in time, there are folks in both categories – investing and withdrawing – so the key really is to keep investing through good markets and bad. Now, some of you may think that I want you to buy even when stock prices are high... not so – all I want you to do is NOT abandon the stock market through highs or lows; when markets are high, you will find, by the very nature of a broadly diversified market place, sectors and assets that are underpriced when indexes are at or near all time highs – buy them! So, in a nutshell, consistently buy stocks at reasonable prices at all times, and diversify your portfolio with stocks that are not correlated with each other or the market.
6. Lastly, I'm not suggesting you give up your morning lattes at Starbucks or wherever – but I do want you to cut them down from seven days a week to maybe two or three. In other words, I want you to do everything in moderation, not give up your lifestyle choices but understand that saving and investing will always serve you well than spending with little thought for the future.

Ironically, the battle is between the accumulators and the savers and the spenders....you have just have to know which one you are and act accordingly.