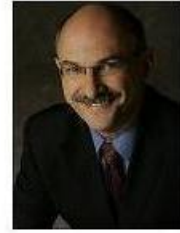


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FINANCIAL MANAGEMENT



Are You Ready For the Next Bull Market?...

Pre-empting Market Cycles

Typical Investor Behavior

Why is it that the market continually confounds us? First we are taught to buy and hold good quality stocks through thick and thin. Then we get a crisis like the one in 2008, and are told that we should have sold all our stocks because buy and hold is dead.

Many investors panicked and sold stocks during the declines in 2008 and 2009, and have been sitting on cash since then - money market rates were low but still tolerable, and market news kept getting worse so cash felt good while the world was in chaos.

Hellishly Volatile Market

As you contentedly sat on cash – time and the markets marched on... rather capriciously.

Stocks dipped horrendously in March 2009, wobbled to a historic peak by early 2010, suffered a scary decline in February, stunningly rose to a peak in late April, then saw a *flash crash* in May and a bloodcurdling drop in June and July (oh... pardon my Halloween spirit for that blood metaphor.)

Since September, against all common sense, the market has risen with a strong upward bias. Yet many of you feel safer in cash despite record low interest rates on savings and CDs, perhaps because you don't want to get whipsawed again.

The Cycle

So, what must you do differently to change this vicious cycle?

The answer lies in that one word... cycle. You have to understand the Cycle of Market Emotions.

When the market starts to rise, you get optimistic. As it rises more, you get euphoric and a little delusional. You think to yourself – I am smart, I'm a good investor, I can retire 10 years early...

Then the market starts to turn and go down. At first you feel a little anxious and perhaps a bit nonchalant – after all, you are a buy-and-hold value investor, and didn't the market bounce back to new highs the last time around??

But the market continues to decline and you feel that familiar, uncomfortable knot in your stomach. As the market shows no signs of recovering, your discomfort turns to panic; you curse yourself for not having seen this coming, can't stand it anymore and sell everything.

Then, after staying more-or-less flat for a while, the market starts to imperceptibly turn. Gradually, news reports turn upbeat and bullish. Slowly, your optimism returns and you're back to where you started – another CYCLE!

Where Are We Today?

Small investors are still waiting for the time when everything feels safe again. While you wait, stock prices will continually rise, housing and employment will stabilize and incidents such as the banking meltdown and Greece's debt crisis will be old news.

Then you will jump back into the market and think you've timed it perfectly. Like Icarus, you will fly but once again too close to the sun and fall to earth.

The Fix

The good news is that this cycle can be broken. Here's how:

First, remind yourself that investing is about ensuring the asset you invest in has consistent and rising earnings. Make sure you pay a reasonable price for those earnings, adjusted for the risk and uncertainty you are assuming. Fair-price analysis is fundamental to investing, and like gravity, you ignore it at your own peril.

Second, make sure the money you invest can be committed for a reasonably long period of time. Why? Because markets move in cycles and you must be able to ride out some inevitable storms. Don't invest money you may need three months down the road for living or other expenses because then you will almost certainly suffer a loss which may never be recovered.

For starters, educate yourself and get a financial advisor that speaks this language - because this is the only language that will get you to your goal of wealth and financial security.