What Does Your Glass Look Like?

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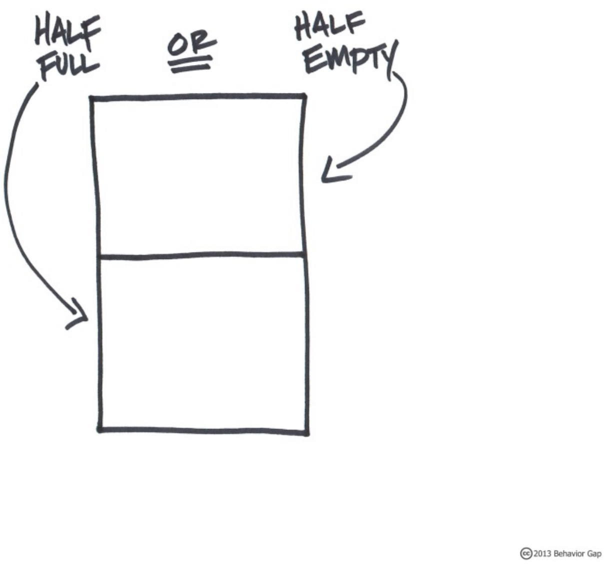

We have all heard the phrase, "Is your glass half-empty, or half-full?" When it comes to investing and the nearly constant news about stock market performance, we seem to hear mostly "glass-half-empty" comments. Why, you say? It's because we humans are hard-wired with a greater attraction to bad news than to good news. Bad news sells, whereas good news doesn't.

However, when it comes to your investments, the bad news (if acted upon) can wreak havoc in your portfolio. The key to successful, long-term investing is to have a written investment policy statement (IPS) and stay disciplined enough to follow it during turbulent times. Take a look at the following comments from Scott Grannis, the self-styled Calafia Beach Pundit in a blog post from September 2015:

"The bad news: this is the weakest recovery ever; the labor force participation rate has been falling for 15 years; productivity growth is dismally low; our national debt is at a post-war high of 72% of GDP; race relations have deteriorated; tax and regulatory burdens are suffocating the private sector; savers and retirees have been severely penalized by seven years of near-zero interest rates; the rule of law has been weakened by the emergence of the Imperial Presidency; crony capitalism (a euphemism for corruption in government) is rampant; the tax code is a nightmare; and transfer payments are at record-high levels that correspond to 20% of personal income and over 70% of federal spending."

You might be ready to cash in your chips based on all this negativity. Now, read the following "glass-half-full" perspective:

"The good news: despite all the bad news, household net worth is at an all-time high ($85.7 trillion), whether measured in nominal, real or per capita terms; households' leverage has fallen by more than 30% since the 2009 peak; the economy has been growing and jobs have been expanding for more than six years; 30-year fixed mortgage rates are 3.84%, only 40 bps higher than their all-time lows of 2012; housing starts have increased by an annualized 15% rate for the past six years; the private sector has created over 4 million net new jobs since 2007; inflation has averaged only 2% for the past 10 years; and the dollar is still one of the world's strongest currencies."

Grannis has adeptly demonstrated how news can be spun either way (good or bad). Tomorrow, next week, next month and next year, there will be a whole new wave of news based on a whole new set of circumstances. All of this information, whether good or bad, is just noise when it comes to your well-constructed investment plan. But if you succumb to acting on the bad news, because that is what we are hard-wired to hear, it can be problematic for your long-term strategy.

Just remember to keep the glass-half-full outlook in mind as you listen to the stock market news. It will help you keep your sanity and stay the course.

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Timothy J. Delaney, CPA/PFS is a founding member of JDH Wealth Management, LLC and is its managing partner. He has more than 30 years of experience in the accounting and financial service industries, advising high net worth individuals, businesses and retirement plans. He earned his bachelor's degree in Data Processing Management and his MBA from Northern Arizona University. Tim is married to his high school sweetheart, Leigh Anne, and they have three children and five grandchildren. He enjoys flying, bicycling and spending time with his family.