



# THE INFINITY HORIZON

An informational newsletter designed with stewardship in mind for those who want to maximize their financial potential.

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Volume IX



*It only takes a minute to learn a lesson for a lifetime.*

## Stewardship Emphasis

*It's easy to be faithful in prosperous times, but the real test of faithfulness occurs in the challenge times and is rewarded by the strengthening of character.*

## Will the Sun Rise Again

It finally happened!!! After a tremendous run of unprecedented growth and stock market gains, the year 2000 will not be known for the Y2K computer bug but as a year when the momentum of the stock market finally came back to earth. If you are like most investors, it was disappointing to see some of the previous year's gains, and even those from the beginning of last year, slipping into losses as the financial markets took a step back. As a result, you may be asking yourself some very important questions about what to do in the new year. Should you stick with your investment plan, should you get out of the market altogether, or should you review your situation and make some adjustments to take advantage of opportunities that may be available? Individuals and experts have their opinions and expectations about what lies ahead, but only time will tell the story. Of course there are no guarantees, but if history is any indicator, the sun will rise again, and the stock market will bounce back. The question is, when it does bounce back, will you be in a position to make the most of it?



## What Happened to the Bull in 2000



At the beginning of the year, there was much talk about the "new economy" being unaffected by factors that affected markets in the past. There were expectations that the markets would just keep going higher, but historically there have always been market corrections after extended periods of growth; and 2000 made it clear that while much has changed, some things have not. Most people look at the past decade as the recent stock market boom, but going back as far as 1982, the growth in the market has been remarkable, with the major U.S. market indices growing by leaps and bounds. In fact there were very few years of losses over that stretch (see Table at right). By comparison, between 1960 and 1982, the S&P 500 did not have a stretch of more than three years without a loss. Although many other factors influenced last year's decline, three of them had a major impact on the rollercoaster ride that occurred in 2000.

### Years of Losses on Major Indices from 1983-1999

NASDAQ	'84, '87, '90
Dow Jones	'84, '90
S&P 500	'90

### 1. Rising Interest Rates

The Federal Reserve (Fed) became concerned about inflation and began raising interest rates late in 1999. The markets usually react unfavorably to increases in interest rates, but through the end of last year the growth continued, and the Fed continued raising rates through the middle of 2000.

### 2. The Presidential Election

The year 2000 was a presidential election year, and election years have often caused markets to slide because of the uncertainty of a potentially new administration and policy changes. Including the year 2000, in 4 of the last 5 election year's, the total return of the

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## What Happened to the Bull (cont.)

S&P 500 has decreased from the year before the election. Last year's election was particularly sensitive because of the closeness of the election and the sharp contrasts of the presidential candidate's ideas.

### 3. The Technology Pullback

After 1999, in which seemingly every internet stock that entered the market blew up to incredible gains, investors in 2000 turned on internet stocks and punished many other technology stocks as well as investors decided that technology stocks were overpriced.

## Timing Is Everything... Or Is It?



In recent years, with the stock market booming as it has, a tremendous amount of wealth has been created through investing in stocks. If you were fortunate enough to participate in the process in the last 10-20 years, you likely would have seen incredible growth in your net worth. On the other hand, if you are new to the world of investing, you may be very discouraged by the events of the past year and feel like the well has run dry, especially if you look at your investments as a way to make significant gains over a short period of time by investing in "hot trends".

Short-term investing has become more widespread of late, especially with the growing presence of "day traders". Investing for short-term gains relies on timing, buying when the price is at a low point or is on the rise and selling once it has reached a peak. Sometimes these short-term gains occur with outstanding results, and it is very exciting to make thousands of dollars in a transaction over a short period of time. The outcome of this approach, however, is more often based on luck, good or bad, than on making a wise decision on when to buy or sell. While there may be indicators as to good times to buy and sell, it is unlikely that you will be able to time the market with consistency.

Toward the end of 1999 and into 2000 many people got caught up in riding the wave of growth in the technology sector of the market, in some cases without knowing what they were getting into. Having seen the explosive growth that occurred, the lure of quick gains led a lot of people to high expectations only to see the market take a downturn. While the disappointment in the downturn is understandable, it should not shake your confidence in the process because markets run in cycles, and a downturn is just a part of the cycle. Unfortunately, investors have been spoiled by the results of the last two decades and have not had to experience much disappointment. The fact is that real wealth is created over the long term with consistency and discipline, not by timing the market. If you invest with a plan, make good choices on where to invest your money, and stick with it in through the ups and downs, you will find success over the long haul. You will also find out that those periods when the market takes a downturn are prime opportunities for you to set yourself up for even greater future gains.

## What to Do Going Forward

If you listen to the news, analysts, and reports, you will get varying opinions on what is expected in the immediate future. The truth is, no one knows with certainty what will happen in 2001 any more than they knew what would happen in 2000. As an investor you should plan not just for what will happen in 2001 but also for what will happen in the years beyond 2001. Here are just three quick ideas to help you remember what is important to keep your focus in the right place.

### 1. Hang In There (Or if you're Not In, GET In There)

In investing, just as in life, it is important to understand history. If past history tells us anything, it is that with the stock market, losses do occur in the short term. History also illustrates that the trend can turn around very quickly. But most importantly, history shows that over the long term, stocks have greatly outperformed other investment categories, and if you can remain patient, you will see the rewards.

### 2. Have Realistic Expectations

In the last two years, there has been a great deal of fluctuation in the stock market, much more so than in previous years. This type of fluctuation is likely to become the norm rather than the exception as time goes on because more and more attention is being placed on short-term gains. If you are able to maintain consistency in your investment program, you will be able to take

advantage of the dips in the market and in effect make the market fluctuations work to your advantage.

### 3. Allocate Your Investments Wisely

Research has indicated that over 90% of investment returns are dictated by how your investments are allocated rather than in timing the market. Know what your investment objectives are, and invest based on those objectives rather than sinking all of your resources into chasing the hottest trend. Spread out your resources with a strategy that will both reduce your risk and maximize your returns. If you need help with that strategy, that's why we as Investment Professionals are here. We would be happy to assist you in putting together an effective strategy so that in times of seeming turbulence, you can sit back, relax and know that in time the ride will smooth out and you will reach your appointed destination on schedule.

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