



Clyde W. Wyatt, III

NEWS

Contact:

Clyde Wyatt, Managing Director
15770 N. Dallas Parkway, Suite 650
Dallas, TX 75248
Phone: 214-217-5800
Email: cwyatt@navigationfinancial.com

Keeping Your Balance as Markets Wobble

Advisor suggests re-jigging your portfolio now to help your outcome when shares pick up again

DALLAS, TX (December 9, 2008)—For many investors, the market’s recent swoon has not only shaken their confidence, but thrown their portfolio out of alignment. According to Clyde Wyatt, an independent financial professional, over time, even the most carefully constructed portfolio can become unbalanced as the riskier asset classes outperform the more conservative ones, but serious unbalancing can occur more quickly in sudden, steep declines like we’ve seen in recent months.

“Having an unbalanced portfolio can be very harmful,” says Wyatt. “Think of a car when it’s out of alignment. Sure, it still works, but that tug to the side inhibits its optimal operation. So, just as taking in the car for a routine tune-up, the process of rebalancing can bring a portfolio back to original asset allocation to both maintain a comfortable risk level and provide a better chance of meeting short- and long-term goals.”

According to Wyatt, getting a portfolio back in sync is simple. Wyatt says the first step is to identify the winners that occupy a larger piece of the overall portfolio and sell some. “Then, buy the poorest performing asset class—probably equities in this market,” Wyatt says. “Rebalancing seems counterintuitive in a stable market—and it can be downright frightening in a volatile market. But experienced investors buy when the market seems at its lowest.”

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Even with current declines, Wyatt believes there's reason to assume that, over the long-term, stocks will continue to produce the inflation- and bond-beating returns they have for more than a century. "We read the same 'This time it's different' headlines in 1974 but the market eventually recovered from the damaging stagflation of the 1970s, as well as the more than 20% one-day decline in 1987, the savings-and-loan crisis of the early 1990s, the Asian crisis of the late 1990s, and the tech bubble."

Using history as a guide, Wyatt also warns that the market gets better before the news gets better. So, Wyatt says, it's good to rebalance and prepare for the inevitable turnaround now.

"There are a number of ways to rebalance," says Wyatt. "If an investor has a surplus of cash, it may be a good idea to purchase new investments for the under-weighted asset categories. For those making continuous, automatic contributions to the portfolio, consider altering the contribution percentages so that more of those dollars are directed into the under-weighted asset categories until the portfolio is back into balance."

Because, as the behavioral finance literature suggests, investors experience more extreme negative emotions when they suffer investment losses than they do positive emotions when they enjoy investment gains, volatility can destroy the discipline necessary for successful investing. Rebalancing the portfolio according to an individual plan can help investors make investment decisions based on reason, not emotions, and maintain the diversification necessary for the best chance at meeting personal goals.

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Managing Director, Clyde Wyatt, specializes in working with clients to provide estate planning, tax-advantaged investment strategies and financial planning solutions that meet immediate needs and move them closer to their long-term goals. Always wanting to learn more, Wyatt has obtained his Chartered Life Underwriter status, and the coveted Certified Funds Specialist designation.

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Written by Clyde Wyatt, Securities America, Inc. Registered Representative, with industry journalist, Marie Swift, President of Impact Communications.