BUILDING BLOCKS FOR RETIREMENT

Investment Strategy

Tuning Out the Chatter

Television pundits, bloggers on web forums, financial gurus on YouTube -- all day, every day, investors are bombarded with dubious advice from so-called "experts" who confidently deliver predictions about the direction of the financial markets and describe how easy it is to make a fortune by investing in gold, crypto, real estate, futures or whatever they are pushing that day. In their world, there are no losers, only winners. However, if you have a long-term investing horizon and are satisfied with the way that you have allocated your portfolio, you should tune out all the chatter. Keep these points in mind next time you are tempted to let others drive your investment decisions.

Is It Possible to Predict The Market?

On any given day, billions of shares are traded in the worldwide financial markets. Numerous macro and micro variables are at play that can impact the overall direction of the markets. Completely unexpected, or "black swan," events, such as the sudden collapse of a major financial firm or the onset of the COVID-19 pandemic, can crash global stock markets. Commodity shortages, supply chain issues, recessions, and armed conflicts can also cause stock markets to decline in value.

It's best to treat anyone who claims to be able to predict the direction of the markets consistently with great skepticism. Trained economists will often make educated guesses about general trends, but always caution that their comments are speculative and should be considered as such.

Trends Do Not Last Forever

Some investors buy last year's winners in the hope that history will repeat itself and that the same stocks, ETFs, and mutual funds* will be winners once again. The reality is that while some equities may consistently outperform, many more will not. Other investors are convinced that they can identify emerging market trends -- for example, a shift from tech stocks to defensive consumer stocks -- and capitalize on those trends. Again, investors may get it right once or twice, but the odds are against them being able to identify trends with any degree of consistency.

Fads Can Be Costly

Fashion, music, and entertainment thrive on fads. Fads can be engaging for a while and then they flame out. Fads in investing are a different matter. Investing fads are typically pumped up by speculators who take early positions in fad companies and then wait to sell out after retail investors jump onboard and push the prices of the companies up. It's generally inexperienced investors who get swept up in fads and may lose all or most of everything they have invested.

Volatility Is a Fact of Investing

Stocks will rise in value on some days and fall on others. And there will be periods when this up and down movement in stock values will be severe. The severity of a decline and its duration can panic some investors into making moves that are not good for their long-term financial health. Listening to the advice of some pundits to sell all stocks and stock funds and rush into "defensive" plays, such as precious metals, cryptocurrencies, or exotic derivatives, can be potentially harmful to the average investor's portfolio over the long term.

What's Real and Tested

Experienced investors understand that tried and tested investment strategies applied consistently over time have the potential to deliver solid returns. Dollar-cost averaging, for example, is an approach in which you regularly invest a set sum of money in an investment, regardless of market conditions or prices.**

If you participate in an employer-provided retirement plan, for example, you are using dollar-cost averaging when your plan contribution is regularly deducted from each paycheck each and invested for you in the funds you have specified. Your contribution buys more shares when prices are lower and fewer shares when prices are high. Dollar-cost averaging allows you to ease into a market, even a volatile one, over time rather than commit a large sum of money at one time.

Another helpful investing strategy is diversification.*** When you diversify, you spread your investments among different securities and asset classes. By diversifying, you reduce the risk that your portfolio's overall value will suffer disproportionately if one security or asset class underperforms. If you, for instance, have 100% of your portfolio invested in stocks and the stock market falls, your portfolio's value will likely drop also. However, if you include bonds and cash equivalents in your portfolio, their performance may help cushion any losses your stocks experience.

Investing for retirement is a long-term goal, and taking a long-term perspective with your investments is another approach that can be helpful. While nothing is ever guaranteed in investing and past performance does not ensure future results, stocks have the potential to provide inflation-beating returns over the long term, despite periodic downturns. By focusing on your long-term investment goals, you will be more likely to make smart, strategic moves with your portfolio.

If you want to tune out the chatter and focus on identifying what investing strategies make the most sense for you, consider working with a financial professional. Together, you can map out a strategy for pursuing your goals.

Source/Disclaimer:

**You should consider the fund's investment objectives, charges, expenses, and risks carefully before you invest. The fund's prospectus, which can be obtained from your financial representative, contains this and other information about the fund. Read the prospectus carefully before you invest or send money. Shares, when redeemed, may be worth more or less than their original cost.*

***Investing regular amounts steadily over time (dollar-cost averaging) may lower your average per-share cost, but this investment method will not guarantee a profit or protect you from a loss in declining markets. Effectiveness requires continuous investment regardless of fluctuating prices. You should consider your ability to continue buying through periods of low prices.*

****Diversification does not ensure a profit or protect against loss in a declining market.*

PENTEGRA

701 Westchester Ave, Suite 320E, White Plains, New York, 10604