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## It's All About the Future

During the past few weeks, there has been precious little good news about the global economy. A continuing Greek debt crisis, concerns about the stability of European banks, fears of a double-dip recession, and generally gloomy economic news have combined to drive down stock prices around the world.

As a retirement investor, it is easy to get caught up in all the negativity and wonder if the stock market is still a good place to invest. But keep in mind an important fact about financial markets—*stock prices reflect what is expected to happen in the future, not what has already happened.*

Why is this important? Because the market has already incorporated the recent, mostly negative news into current prices. Current prices already incorporate the possibility that Greece may default on its debt, that European banks may be getting into trouble, and that we may yet slide back into recession in the United States. Of course, we cannot predict with certainty whether any of these events will come to pass and stock prices could go down further. However, changes in stock prices from here will depend on whether things get better or worse *than expected.*

Stock markets can have big upward movements, even in bad economic climates. If things turn out a little better than the market expects, prices can rise significantly. The news does not have to be good; it just has to be better than expected. This is why some of the biggest upward moves in the market have occurred in the middle of tough economic times. Of course, the reverse is also true—unpleasant surprises can cause stock prices to fall.

When you are tempted to take your money out of the market, ask yourself: What do I know that is not already known by the market? If you don't have a good answer, chances are you don't have a good reason to be out of the market. People make the mistake of thinking that if the newspaper reports are all bad, stocks must be headed down. But that is only true if new events occur that were not already expected by the market.

All of this just reinforces the point that the best approach for long-term success is picking a diversified portfolio at an appropriate risk level and sticking with it. Trying to outsmart the market by jumping in and out is generally a poor strategy. Don't let your emotions cloud your judgment and impair your chances of retirement success. Follow a disciplined strategy to help reach your goals.

If you have concerns about your portfolio, feel free to call our Investment Advisor Representatives. We are here to help you make the most of your retirement savings, no matter what the future may hold.