

Election 2020..what is an investor to do?



With the U.S. election less than three months away, investors have begun bracing themselves for what is sure to be another vitriolic presidential campaign. Commentators across all media outlets are hyping this as a watershed event that will reshape the country for decades to come. This type of rhetoric can plant fear in the minds of investors as many of these “experts” are recommending dramatic portfolio changes based on the outcome. Unfortunately, these decisions can wreak havoc to an investor’s portfolio as the emotional response it can lead to, more often than not, will result in a poor long-term investment decision.

Now to be fair, the upcoming election is very important. After all, we are still facing a global pandemic with an uncertain outcome. Racial tensions are high, and the country is extremely divided politically. Tensions abroad are escalating. Most investors remain perplexed by the meteoric rise of the stock market since the March 23rd low. The sky-high valuations many stocks are trading at may be completely disconnected from reality if a “V” shaped recovery isn’t in the cards. Thus, regardless of your view of the economy or political affiliation, nearly everyone would agree that we are in for a bumpy ride leading up to November. However, while the outcome is certainly important in terms of the direction of where our country will be headed, we implore you to heed this advice.

Don’t let your politics derail your investments.

It may be a distant memory, but after the last election the stock market was not immediately

enamored with the new administration. Stocks fell sharply on election night as fears of the unknown swept through investors' minds. Although stocks recovered quickly and started marching higher shortly thereafter, I vividly remember a phone call I had with a former client who was let's just say, not a fan of the new president.

During the conversation he expressed concerns about what he thought was going to happen and how bad things would potentially be for the next four years. I patiently listened to him express his concerns with an eventual climax that he just wanted out and asked me to liquidate all of his investments. Ironically, before I had a chance to even make a follow up comment, he asked me one question. *"Do you think I'm making a mistake?"*

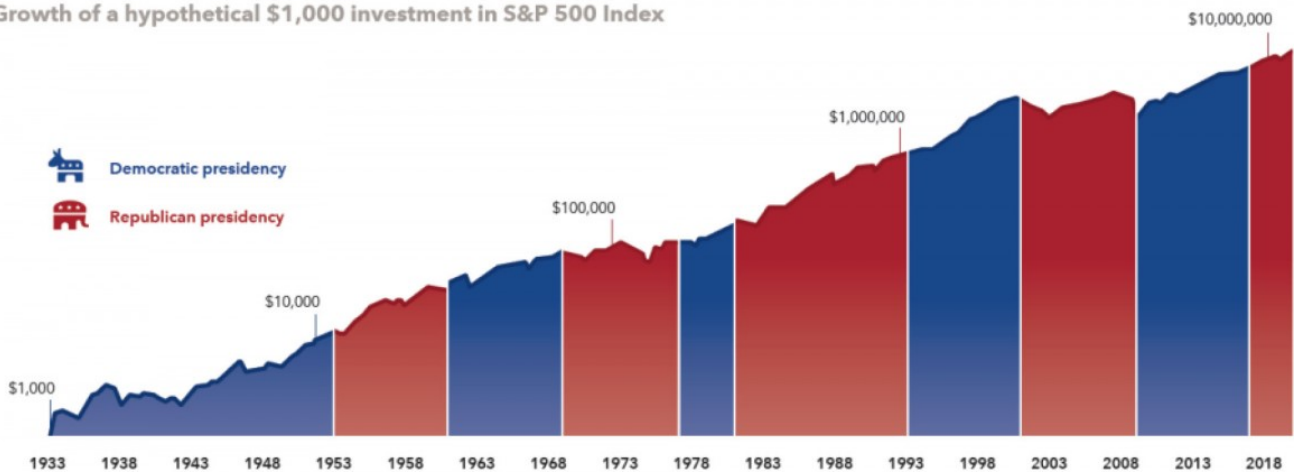
I remember exactly what I told him like it was yesterday. I mentioned that I had taken a number of phone calls like this over the years and occasionally these emotional decisions work out for the better in the short term, but I don't have a single story over my nearly two decade long career of any of these providing a benefit 18 months or more after the decision was made. He was very appreciative of my candor but decided to liquidate the portfolio anyway. We touch base from time to time and he is still invested solely in money market funds. The answer to the question on your mind...the stock market is nearly 50% higher than where he sold. *Again, don't let your politics derail your investments.*

Despite all the evidence suggesting timing the market is impossible, many investors try it anyway because emotions remain one of the biggest factors that influence financial decisions. The way to overcome this is by having a well thought out investment strategy in place *before* the emotional response occurs. We have stressed time and time again how important diversification is to help investors generate attractive returns over the long term. If you are growing increasingly nervous about the rise in the stock market, discussing this with your advisor is a prudent course of action at the present time.

Although we expect stock market volatility to increase as the election nears, reminding yourself that your investment success is measured in years, not how your portfolio performs in 2020 is critical. While the stock market has seemingly defied gravity in the face of unquestionable economic turmoil, recognize there are actually many segments of the stock market that have not performed well over the past couple of months, or even years such as small cap stocks, value stocks, and international stocks, that may offer attractive investment opportunities. Part of our discipline is rebalancing portfolios on an ongoing basis to trim those areas that have performed the best and add to areas that have lagged. Only time will tell if this "buy low, sell high" strategy works, but the concept seems to make a lot of sense. Should the election put stocks on sale, we would advise investors view the pullback in a similar light.

Finally, the chart below should serve as a reminder that stocks have trended higher under both republican and democratic leadership in the past. Over the past century our country has experienced world wars, extreme political and social unrest, backbreaking inflation, and multiple periods of economic despair. Despite these hurdles, we have emerged stronger every time. Therefore, regardless of the outcome of the election in November, we remain bullish on America.

Growth of a hypothetical \$1,000 investment in S&P 500 Index



SOURCES: Morningstar, Standard & Poor's. As of 12/31/19. Dates of party control are based on inauguration dates. Values are based on total returns in USD. Shown on a logarithmic scale.

Have more questions about the financial market? [Click here](#) [1]

The statements and opinions expressed herein are subject to change without notice based on market and other conditions. The information provided is for informational purposes only and should not be construed as investment or legal opinion. Please consult a tax or financial advisor with questions about your specific situation. Investors may not invest directly in an unmanaged index. Past performance is not a guarantee of future returns.

Categories:

[Protecting my financial legacy](#) [2]

[Having the retirement that I want](#) [3]

[Corporate Professionals/Executives](#) [4]

[Making the most of my working years](#) [5]

[Professional specialists/service providers](#) [6]

[Business Owners](#) [7]

[Read More](#) [8]

Source URL: <http://dev.brightworth.com/insights-news/election-2020what-investor-do>

Links

[1] <mailto:info@brightworth.com?subject=Question%20about%20financial%20market>

[2] <http://dev.brightworth.com/categories/protecting-my-financial-legacy>

[3] <http://dev.brightworth.com/categories/having-retirement-i-want>

[4] <http://dev.brightworth.com/categories/corporate-professionals-executives>

[5] <http://dev.brightworth.com/categories/making-most-my-working-years>

[6] <http://dev.brightworth.com/categories/professional-specialistsservice-providers>

[7] <http://dev.brightworth.com/categories/business-owners>

[8] <http://dev.brightworth.com/insights-news/election-2020what-investor-do>