

Stock Market Risk...We Told You So

by David D. Holland, CFP, CPA/PFS, CLU, ChFC, CAS, CFS, MSFS

Investing is a funny thing. Just about the time people start thinking that we've entered a "new age" where the stock market doesn't go down, guess what happens? A 20% decline in the U.S. stock market since October of 2007. It's a perfect example of why prudent financial advisers don't recommend that their baby-boomer and retiree clients put all their money in the stock market.

Of course, as most independent advisers are aware, there has been a war raging among the various factions of the financial sector...banks against stockbrokers—against insurance agents—against fee-only advisers—against...you get the idea. The war has been over what investments and savings vehicles best serve the baby-boomer/retiree consumer. Before the stock market's recent drop to 11,200 (which marks a 20% decline from the stock market's peak at 14,000 in October of 2007), the market had been in a period of upward movement since October of 2002. A bull market had been in progress for five years. During that period, many stock market proponents had argued that no other place served the customer as well. Faced with the many independent advisers' recommendations that the consumer should protect a portion of their retirement with safer choices (like principal-protected annuities) the stock market proponents asked sardonically, "Why in the world would you put your money into an annuity that isn't going to give you all of the market's potential?" [Never mind that some stock market investments can have considerable fees, thus the consumer doesn't really get "all" the stock market returns.]

Well, ladies and gentlemen, it pleases me to no end to answer the stock market addicts' sarcastic question. The answer is: "Dow 11,200." Sometimes saying, "I told you so," just doesn't seem like enough.

It isn't that baby-boomers and retirees shouldn't have their money in the stock market...but rather, it is that they shouldn't have **all** or **most** of their retirement money in the stock market. Independent advisers have been suggesting that consumers diversify by putting their retirement funds into in a variety investment and savings vehicles, which might include: growth mutual funds, income mutual funds, bonds, stocks, CDs, variable annuities, fixed interest annuities, and fixed index annuities. Obviously, the mix of investment and savings vehicles will depend on the particular risk tolerance and financial situation of each individual person.

The key point is that since October 2007, it would have been prudent, and tremendously advantageous, for investors to have put some of their money into safer alternatives to the stock market. So, to my fellow independent financial advisers, I say, "Please continue to recommend prudent, diversified, and safe investments and annuity-based alternatives to your clients. Hold your head high and continue to make sound recommendations that fit your clients' financial situation—and they will be clients for life."

About the Author: David D. Holland is an independent financial planner/investment adviser/annuity agent in Ormond Beach, Florida. In 2007, David teamed up with industry veteran, Mike Mastowski, to establish Retiree Adviser Marketing Corporation (RAM). RAM provides independent agents with access to high quality annuity products and helps them expand their services to include real retirement advice. RAM also gives agents the opportunity to access David's marketing and planning system – the same system which allowed him to achieve \$30 million in personal production for two years in a row. The RAM System includes: A Proven Seminar System (slides, script, invitation, prospect interview questionnaire and seminar training video), a Prospect Marketing Video and a Client Planning System. And now, agents can leverage their time with **free** customized retirement plans and RAM's 50 basis-points RIA platform. **To get more information about RAM's services, agents are invited to call 888-422-7007 or visit www.retireeadviser.com.**