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## Some dos and don'ts for investors in this market

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*A bit of portfolio strategy from Rob Carrick as stocks ready for another tumble*

The summer stock market outlook? Stormy.

Be ready by following these investing do's and don'ts:

**Do:** Stay cool. This is not a new global financial crisis. Rather, it's the global economy working through the problems that remain from the breakdown that began a few years ago.

**Don't:** Start fooling with your long-term financial plans based on current events in the financial world.

**Do:** Expect more nasty ups and downs before things settle out. The U.S. debt downgrade by Standard & Poor's removes some uncertainty from the situation in that country, but Europe's debt problems are evolving and more surprise bad news is all but certain.

**Don't:** Put too much stock in any single day's ups or downs. The markets are running on pure emotion right now, which means all news is being magnified in importance. Keeping an eye out for a market bottom? You won't recognize it until well after it arrives.

**Do:** Consider putting a little money into the market right now. Quality blue chip dividend stocks now offer higher yields (as share prices fall, yields rise). It's not time for any big bets on a market turnaround, but neither is it time to head for the hills.

**Don't (for God's sake):** Sell everything. If you have a well-thought-out portfolio of stocks and bonds, you're in a good position to ride things out. Selling now may protect you from further near-term losses, but you run a massive risk of missing the market turnaround. You'll essentially be selling low and putting yourself in a position to buy high later on. We call that a lose-lose proposition.

**Do:** Recognize that blue chip dividend stocks won't be spared in a panicked stock market.

**Don't:** Overlook that, barring economic catastrophe, solid companies will keep paying their dividends.

**Do:** Think about a dollar-cost averaging approach, where you invest small amounts on a regular monthly or quarterly schedule. You'll take advantage of low stock prices this way without the risk of committing all your money just as the market plunges.

**Don't:** Worry if you buy something and the market falls hard the next day. You won't remember a thing in a few years, after markets have recovered and quality stocks have moved onward and upward.

**Do:** Think globally. Notice how the Canadian stock market has at times been slammed harder than most of its global peers, including the U.S. market? That's our commodity-dominated stock market. Great when economic growth prospects look good, and just the opposite at times like now when there are concerns about a double-dip recession.

**Don't:** Get adventurous in looking at emerging market stocks (or bonds). They could get whacked in an investing environment where people are afraid of risk.

**Do:** Confine any buying you do to stuff that is down in price.

**Don't:** Chase the investments that have been doing well while share prices plunge. Gold has risen because it's seen as a hedge against uncertainty, but if the global financial system settles down you could see gold prices move lower. As for bonds, they always rise when stocks fall. Problem is, a surge in the bond market means bond yields are falling (prices and yields move in opposite directions). Government of Canada bonds maturing in five to 10 years will likely generate yields of less than 2 per cent if you buy them from a broker. Over a five- or 10-year period, stocks should beat that return by a good margin.

**Do:** Recognize that investing is all about ups and downs. You have to accept setbacks now and then on the road to long-term gains.

**Don't:** Pay any mind to investments that promise to deliver both true safety and good gains. These results simply don't go together and anyone who says they do is thinking about a sales commission and not your best interests. If you can't stand stock market risk, guaranteed investment certificates are the way to go.

**Do:** Expect to hear from your investment adviser about what current market developments mean to you.

**Don't:** Cut your adviser any slack if he or she doesn't contact you by phone, by e-mail or some other way. Quality advisers should have prepared you for the current mess by building you a diversified portfolio. That said, don't expect to avoid losses unless you specifically said you have zero tolerance for risk and can't afford to lose a cent.

**Do:** Understand that investors will likely lose more money before things get better.

**Don't:** Lose heart about investing. The global economy has problems. They will be worked out.

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