Tighten up, Investor

In 1968, Archie Bell and the Drells unleashed a hit song called “Tighten Up.” More about the song later. With market volatility hitting extreme levels in October and continuing into November, I’m fielding more calls, emails, and questions, not only from clients from readers of my newsletters and website. After months of market calm, many investors ask what is happening now? I will normally tell them that they need to tighten up, which normally brings a moment of silence on the phone or a blank stare. Normally, when you’ve had a good multiyear bull market like we’ve had the last eight or nine years, investors tend to become complacent and compliant. Well, the last couple of months has reminded people what goes up can go down.

The stock market is a pricing mechanism, which finds the price of stock between sellers and buyers. It changes almost daily. It appears to many investment advisors, including myself, the market may see a recession in the next couple of years. It’s not a done deal, but the chance of a recession is higher than it was a couple of months ago. The stock market is factoring that in now. So, what should you do?

So, let’s talk a little bit about the good news and the bad news — first the good news. We’re a few months away from completing a 10-year bull market, and it’s been a really good one, too.

- 2017 was one of the best years I’ve seen in 35 years as an investment advisor rep.
- Unemployment is maybe the lowest in 30 years, which is finally forcing wages up.
- Consumer confidence is at an all-time high.
- Gas prices are heading down, due to oversupply because America’s not only self-sufficient in energy, but we’re exporting energy.
- GDP is way above the trend line over the last few years.

And now the bad news

- The Fed has been raising rates for two years with a promise of another four or five rate rises.
- The trade war with China is more about China seeking to become the dominating superpower in the world. And if you want to find out more about China’s goals, Google China 2025 Initiative.

Of the bad news, the prior is worse than the latter. While rate rises don’t cause all recessions (they’ve caused every recession I can remember), it is the elephant in the room. The Fed wants to slow the economy down, so it does not overheat, but it seems to me they always overshoot, and this kills demand by raising the interest rates. Just think if you bought a home a few years back at 3.5% mortgage, how quick would you want to pull the trigger to buy a new one at a much higher rate?

Investors Can Do Very Little
Unless you're Jerome Powell, Fed chairman, there's very little you can do about rate rises. You can't stop them, and you have to roll with them. But you can be like Archie Bell. You can tighten up your portfolio. Well, you may wonder why I'm going back to this song by Archie Bell. When the band starts writing a song or getting ready to play, this is how they fine tune their instruments. You can hear that in the lyrics, it starts like this:

Hi everybody
I'm Archie Bell of the Drells, from Houston, Texas
We don't only sing
But we dance just as good as we walk
In Houston, we just started a new dance
Called the Tighten Up
This is the music we tighten up with

First tighten up on the drums
Come on now, drummer
I want you to tighten it up for me now, oh, yeah
Tighten up on that bass now
Tighten it up, ha, ha, yeah
Now let that guitar fall in
Oh, yeah
Tighten up on that organ now
Yeah, you do the tighten up, yeah, now

If you want to listen to the full song, you can go here: https://youtu.be/Wro3bqi4Eb8

I think you get the picture here. In honor of Archie Bell, I decided to write my song, it's called, you guessed it, "*Tighten Up, Investor*." Well, I've given up that thought because maybe it would be better not to infringe on somebody else's business, but I can help you with some ideas on how to tighten up your portfolio.

1. If you're retired now, remember your number one job is to stay retired. What I mean by this is, is it worth it, is it worth the risk to possibly triple your portfolio in the next 10 or 15 years, or would it make better sense to invest more conservatively today, make sure that you stay retired, maybe just settle for a double?

2. Evaluate each position today by asking yourself would you buy it now, which will help you answer the question should you hold it or sell it? Is it a time to buy more defensive positions?

3. I've received some calls from people have been sitting on cash that think this may be a good time to go in. I said, you know, the market is giving us no clear direction. Just keep your powder dry.

4. And most importantly, finally, evaluate your income plan. Everything's probably worked pretty
5. good for the last 10-years because we had a rip-roaring bull market that delivered double-digit returns. But ask yourself how your portfolio would look today if the market took a downturn of 50%. Remember, in the last 20 years; we've had two vicious bear markets. Do you think this might affect your standard of living? Well, maybe not today but down the road?

   You certainly don't want to worry about running out of money at the worst time of your life. There are things you can do. These are just a couple of the examples. So, investors, tighten up.*

Sincerely, John Romano, CFP®

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John Romano, CERTIFIED FINANCIAL PLANNER™, has over 30 years' experience in the financial field. John is a Registered Representative with Securities America, Inc. (member of the FINRA and SIPC), and an Investment Advisor Representative with Securities America Advisors. He has prepared hundreds of reports for retirees to assist in their retirement income planning needs. He is dedicated to providing portfolio analysis, dividend and income information, and investment management services to retirees (and those preparing to retire) in The Villages, Florida and surrounding areas.

305 Skyline Drive, Suite 3, Lady Lake, FL 32159

Phone: 352-753-8590

Email: John@RomanoJohn.com

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Most retirees are concerned today about outliving their income. Very few have a written income plan. Most realize we are the tail end of a great bull market, but all good things come to an end. This may be a good time to stress-test your retirement plan. Maybe I can help. Send me an email or call and schedule a phone time.

I will get back with you within one business day.

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