Instant Gratification

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Last Week's S&P 500 Index:
+1.5%

Key takeaways

- *Investing and building assets for the longer term and/or retirement typically requires patience and a plan of action.*
- *But the good news is, as this year demonstrates, opportunities to put sidelined funds to work can present themselves on a regular basis.*

American baby boomers and younger generations may not always know what they want, but they know they want it now (disclosure: this strategist is a baby boomer). In a world of instant communication using high-tech gadgets and all sorts of "smart" technologies, waiting for the local news to give you tomorrow's weather report or your local bank to open in the morning so you can transfer funds from one account to another seems rather quaint and old fashioned.

Many Americans also seek instant gratification when it comes to investing. With the financial media constantly talking about "fast money" and many shouting that "buy and hold is dead," investing in and building a portfolio of income-producing equities for the future might require too much patience for many market participants. In addition, largely due to the 24/7/365 news cycle we all live with in today's modern society, much of the investing public is fearful that any number of events may occur around the world that would have a detrimental effect on their portfolios. Yes, bad news does sell, and downside volatility is painful. Many have chosen to park investment dollars in money market accounts and other cash-alternative instruments that currently offer very little yield and are certainly not helping to boost buying power over time. And note that we do not expect meaningfully higher interest rates any time soon.

But Americans are living longer and will need their investments to provide income potentially for decades more than past generations. And for most of us, one of the best ways to accumulate the financial assets over time that will be needed to carry us through our retirement years continues to be by investing in the stock market. Building an adequate nest egg is not an accident. It takes time, planning, and maybe most of all, patience. And patience is one human trait many of us could use a little (or a lot) more of.

The stock market is typically not a source of immediate gratification. The sooner investors face that reality the better they can plan and get in the right mental state. Like the market action over the last few months, equities are often stuck in a trading range, lacking direction, and waiting for the next bit of economic news or some sort of global event to take place. Wise investors use these times to assess their portfolios, determine which companies deserve smaller or larger allocations, make sure they are diversified across a broad number of sectors, and wait for opportunities.

And as this year has demonstrated, opportunities can present themselves on a regular basis. For long-term investors who are patient and have a plan, most pullbacks in the stock market are welcomed for the opportunity they can provide to buy quality companies at a lower price. Companies with the potential to build market share. Companies with the potential to pay a rising stream of dividends over time.

So while the market has moved in a trading range over the last three months, investors have had the opportunity to add equity exposure on pullbacks this year. In fact, at one point, the S&P 500 was down 10% from its late-January record high. For those investors who do not need instant gratification, we believe the market presents a host of opportunities for portfolio evaluation, adjustment, and position building.

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Each asset class has its own risk and return characteristics. The level of risk associated with a particular investment or asset class generally correlates with the level of return the investment or asset class might achieve. Equity securities are subject to market risk which means their value may fluctuate in response to general economic and market conditions and the perception of individual issuers. Investments in equity securities are generally more volatile than other types of securities. There is no guarantee dividend-paying stocks will return more than the overall market. Dividends are not guaranteed and are subject to change or elimination.

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