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Managing emotions as much as money

Stock market's wild market gyrations have made some investors uneasy

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It's not easy to be an investment adviser — or an investor — these days.

Between the stock market's wild gyrations, the historically low yields on fixed-income investments and a stock market that's produced an average 1 percent gain a year over the past decade, it's been a frustrating time for both investors and advisers, said James P. Julian, executive vice president at Robshaw & Julian Associates, an Amherst money management firm.

And with the economy expected to remain subdued this year, local investment advisers said they don't think it's going to get any easier this year.

"It's a difficult time," said Anthony J. Ogorek, who runs Ogorek Wealth Management in Amherst. "People have been whacked. Their portfolios have been whacked. In some parts of the country, the value of their homes have been whacked."

More than four years after the Great Recession hit in late 2007, investors still are waiting for the major market indexes to climb back to where they were before the downturn began. The benchmark Standard & Poor's 500 index, for example, still is more than 15 percent below its pre-recession peak.

Then there's the volatility. The Dow Jones industrial average moved up or down by 200 points or more on 37 days last year. And from Aug. 1 to Dec. 31, the average daily swing between the day's high and low was 269 points.

Those gut-wrenching swings were enough to convince some investors that they didn't need the angst. Investors pulled nearly 6 percent of their money out of stock mutual funds last year, according to the Investment Company Institute, the fund industry's trade group.

Lawrence V. Whistler, the chief investment officer at Nottingham Advisors, an Amherst money management firm, expects the stock market to be just as volatile this year as it was in 2011, when it was roiled by a series of financial crises in Europe.

Investors were unnerved by those big swings in the market, where the Dow could rise or fall by 4 percent or 5 percent in a single day, and that means that financial advisers can't just be money managers. They also have to be financial counselors.

"It's not only managing the portfolio, but managing psyches and communication," Whistler said. "There's a lot of angst and anxiety among investors. I'd like to think it's going to go away in 2012, but I don't think it will."

Even more frustrating for those spooked investors is that the flight to safety pays next to nothing these days. Yields on government Treasury securities are minuscule for short-term Tbills and aren't keeping up with inflation even with long-term Treasuries, Julian said. Yields on most bank certificates of deposit and other low-risk investments also are below the inflation rate.

So taking the low-risk approach usually means losing money after you account for inflation.

With such an emotionally-trying market, Gerald T. Cole, the managing partner at Arbor Capital Management, an Amherst money management firm, said it's essential for advisers to keep clients abreast on their views on the market and how it impacts their portfolios.

Aside from the quarterly newsletters that Arbor Capital sends its clients, the firm this year is revamping its website to include regular video updates featuring market commentary, white papers, reference materials and other general investor information.

"We're trying to broaden our scope to where we're a provider of useful information," Cole said. "This is an entirely new website that replaces our old one and has been a year in the making."

The hope, Cole said, is that the souped-up website and the videos will help keep its clients updated with the firm's take on the market's latest developments, while also giving it broader exposure among other investors, which could help land new clients.

"Its primary focus is not to raise the profile of Arbor as much as it is intended to be a client communication tool. It will be available first to clients and shortly later available to others free of charge," Cole said.

"At first we will publish two videos per month. Most of the topics we are covering apply to nearly every investor, and include insights derived from decades of investment management experience," he said. "The white papers are intended to be analytically robust yet readable by most. We find them interesting. Hopefully, readers will as well."

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