Don't Let Your Skepticism of the Markets Keep You from Investing

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As a millennial, my most formative memories of the financial markets center around the Great Recession. I remember waking up to markets in turmoil in February 2008. I also have earlier memories of Enron going under and I watched Madoff's Ponzi scheme go up in flames – all these events and many more in recent memory caused significant damage to the public's trust of the markets. Specifically, these events formulated my own distrust of the market and a reluctance in me to trust institutions. So, you may ask, why am I bringing these events and my own cynicism of the financial world up when I now work as an investment advisor and strategist at an RIA? It's because as a millennial, today's markets create a sense of uneasiness in both me and others I have spoken to. As a millennial, I find myself with a 'this is too good to be true' mentality when looking at a strong market, considering the integrity of any good market run. I always question if the run can last, and for how long. However, as young earners and budding savers, we should put aside our reluctance to buy into a frothy market and instead consider the bigger picture.

Skepticism of the markets is in many ways good. It is prudent to question and plan for any type of prolonged downturn. However, if skepticism keeps you from properly saving by investing into the market, then that cynicism is problematic for your future. Over time, markets trend upwards. Even after a period of a prolonged pullback such as the Great Recession, the markets have recovered and then some. Investors who didn't panic and held their investments through that period have benefitted greatly and continue to do so today. Investing in equities is necessary for savers to both grow their savings and fight against inflation. Many millennials lose sight of this fact because they haven't been earning and saving for a significant amount of time, and inflation is currently below trend. However, I like to remind my peers that a postage stamp cost 13 cents in 1977. Today, a stamp costs 49 cents. Stamp prices are driven purely by inflation. This is indicative of how buying power dwindles over a long period of time – and means that the money that you earn today will be worth significantly less in 30 years. Investing in equities and realizing the price appreciation over a long period of time will help savers in becoming financially secure in their futures. So, being fearful and cynical of the market, will ultimately prove costly for those individuals who choose to stay on the sidelines.

I've also heard people saying that they are waiting for a pullback to buy into the market. While this may sound like a good idea, since the market is currently only climbing higher and higher to new record levels, market timing always proves to be a loser's game. While you may time a buy or sell and get lucky every now and then, over the long term you will ultimately buy/sell on the wrong side of the trade as well. I suggest dollar cost averaging into the market, thus taking away the timing component and any potential greed or fear that may come into play. Staying disciplined and keeping your eye on the big picture – the long-term investing horizon – is key in successfully investing and growing your savings. By getting into the market and holding quality investments over a long period of time, you will ultimately benefit yourself and properly position yourself for a successful financial future. If you sit on the sidelines waiting for a pullback, you could be like many investors throughout the last year, continually waiting – and ultimately missing out on the growth of the market and still sitting in cash.

In closing, I understand all the factors that can make my fellow peers hesitant to pull the trigger and get into the market. Times are uncertain and the market's climb seems out of sync with the constant irregularity of the geopolitical landscape. However, keep this one fact in mind: markets always grow over long periods of time, regardless of any corrections, pullbacks or recessions that occur in the interim. As a generation, we have a lot to be cynical about, but the same basic financial principles that have existed for decades still apply to us. We need to save for our futures and we need our savings to grow to help us achieve our goals and find financial security. If you aren't investing a portion of your savings yet, (whether it be in a qualified account like a 401(k) or IRA, or in an individual savings account) it's time to ask yourself: what are you waiting for?

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