

STAY THE COURSE

By Paula Wieck, CFA®

Hopefully many of us are sticking to our New Year's resolutions deep into the first quarter of 2019. I jumped on the weight-loss bandwagon with the other thousands of Americans this January by joining a popular weight-loss program, and as with most programs you must track your food intake, exercise, and monitor your progress periodically.

All was well the first week. I lost five pounds! I was excited, eager to see my progress daily (sometimes multiple times a day) by repeatedly weighing myself on the scale. I was incredibly motivated, following the program to a tee. As part of my daily ritual, I stepped on the scale on day nine, and much to my dismay I had gained three pounds. I was frustrated and angry. What did I do wrong? What should I do differently?

I voiced my frustration to my husband later that day, almost throwing in the towel altogether. He gave me the best piece of advice. He said, "You shouldn't weigh yourself every day. That's destructive. It's just like investing. You tell your clients not to look at their portfolios every day because the day-to-day fluctuations can make them emotional, and then they may take actions that go against their long-term goals. Stick to your plan and monitor your progress periodically, not every day." My jaw dropped as he stated this concept so matter-of-factly (he's in the financial services industry as well).

The truth is that I do have this investing conversation with many clients. I caution my clients not to focus so much on short-term performance, but more on the longer-term progress of their portfolios. Take 2018, particularly the last quarter of the year, for instance. At one point the U.S. stock market declined nearly 20% between September 20th and Christmas Eve. Many clients reached out and asked if we should be doing something different. That's human nature. When things don't go as planned, especially in the short-term, it's hard to be patient at times. It's hard to stick to a long-term plan, especially when it doesn't appear to be "working" in the short-term.

Unless your goals or circumstances have changed, it's likely that you should stay the course with the investment plan your team of investment professionals have set up for you. It never hurts to ask for more information about what is happening in the markets and how that information affects your portfolios. I encourage you to do that! However, attempting to time the market can have dire results. Moving in and out of investments based on fear or greed usually tends to lead to lower portfolio returns in the long-term.

How did Commerce Trust Company respond to the market decline last year? During the last quarter of the year, Commerce Trust portfolio managers took the opportunity to rebalance back into stocks from bonds in some client



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portfolios (rebalancing is a way to buy low and sell high when portfolio allocations start to deviate from long-term targets). Going forward, we remain cautiously optimistic in 2019 as many economic and market indicators are still positive (see our most recent outlook here).

Quick update: at the time of this writing, the U.S. market is up 12% and I've lost ten pounds. In my experience, progress is rarely linear. Often you have to experience ups and downs on the way to success. Stay the course, my friends.

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Paula is a senior portfolio manager for Commerce Trust Company. Upon gaining a thorough understanding of a client's needs and goals as well as assessing the client's entire financial situation, she works with our investment research team to construct a portfolio to help clients achieve their long-term goals. Paula comprehensively represents our research and goals-based investment process, starting with the initial assessment and creation of an investment objective to ongoing evaluation and adjustments based on changing market and life circumstances. With a deep knowledge of the market and experience in investment management, she serves clients with thought leadership, insight, and consulting services. Paula joined Commerce Trust in 2018. She earned her bachelor of science degree in business administration with a focus on banking and finance from the University of Nebraska at Omaha. She also holds the Chartered Financial Analyst designation and was named 2017 Money Management Executive's Top 10 Women in Asset Management.



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