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Opinion: A smart approach to the stock market

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THE STOCK market is up! Wait, it's down. The Dow hit 11,000 in mid-October for the first time since April, but it dropped back into the 10's – then went back up again. The election has come and gone, spurring a pre-vote surge, and post-vote jitters.

The Fed has announced another stimulus plan, but the market isn't sure what to think or how to react. Will it work; is it enough for the job creation that will spur real growth? What to do, what to do? Invest in stocks that seem to be at a low point? Go the "safe" route and pull out entirely, relying on a somewhat more stable bond market until the economy returns to something approaching normal?

First, take a deep breath. Let it out slowly. Whatever else, don't panic.

Yes, the market is in a state of flux. But market fluctuations can be used to your advantage.

Many well-versed investors firmly believe that opportunities abound in times of change and that these could be the times to make some of the best long-term investments. Being patient provides time for research, but patience should not be confused with passivity.

Converting stocks to cash due to fears that stocks will not rebound even as the economy improves is one sign of the too-passive investor, as is not investing overseas.

Understanding market dynamics gives wise investors a long-term, comprehensive view of its fluctuations. Market rallies historically have a whopping 45 percent return in the first year after a recession-related bottom, with 10 percent of that in the first month and 28 percent in the first six months.

The key is knowing where the bottom is located, and understanding when the real rally begins … plus when and how to dive in if the upswing has already begun.

Safe waters

Portfolios overweight with safer assets can be a common error, but again the key is in understanding what each individual investor owns, and whether fleeing to "safe" waters such as the bond market is really the best move for that investor.

Similarly, some investors eschew the overseas markets, simply due to unfamiliarity with those markets.

In New Jersey, there are interesting implications for tax-free municipal bonds. For investors seeking reliable fixed income there are many opportunities that can become part of a well-rounded portfolio.

Inaction again can be detrimental to proper wealth management. A better strategy requires a comprehensive plan that focuses on individual priorities.

Medical experts are finding that holistic approaches – treating the entire body and the mind – are necessary for good health. Similarly, a holistic approach to finances can be beneficial for wealth management, and the well-informed investor should develop a sound holistic approach using reputable information sources.

As is clear to anyone reading the daily business pages, confidence in the financial markets has eroded in recent years along with personal wealth. Questions abound on interest rates, changing tax regulations and myriad other factors. Municipal bonds, once a premier long-term safe haven, may no longer be quite as popular as some states and municipalities experience budget woes.

I believe the stock market remains one of the best places to take advantage of capitalism on a global scale, but there is no one-size-fits-all answer.

The well-informed investor will take advantage of the opportunities offered by today's changing market and global economy. In this case, he who hesitates could well be lost.