

Bergen Record

Woodland Park, NJ

Oct. 16, 2014

Battle-tested N.J. investors stay calm

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THE RECORD



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Traders sold riskier investments and moved money into U.S. government bonds, gold and cash on Wednesday.

Analysts hope the day's steep drops mean the markets are closer to a long-awaited 10 percent correction.

When the Dow Jones industrial average goes on a wild ride — as it did on Wednesday — after dropping more than 1,000 points in less than a month, investors might be expected to feel a little queasy about their retirement accounts.

But North Jersey financial advisers say most investors — many of them battle-tested by the market meltdown of the Great Recession — seem to be keeping their cool and focusing on whether they're properly invested for their goals — just as the advisers would recommend.

“People can get very emotional about their money,” said Thomas Orecchio of Modera Wealth Management in Westwood. “You need to take a long-term view.”

The Dow plunged at the opening and lost as much as 460 points before ending the day down 173 — a 1 percent drop. Over the past several weeks, the Dow has dropped more than 1,000 points, or 6.6 percent, from a high above 17,200 in late September to Wednesday’s close at 16,141. Analysts have a range of theories for the slide, citing economic slowdowns in Europe and China and fears about Ebola, and few have ventured a guess on when the current downturn might bottom out.

But Orecchio said only a few of Modera’s 700 clients have expressed concern about the downturn, including one who said he was sorry he didn’t cash out at the first sign of turbulence in September. Orecchio reminded the client that he had gotten whipsawed by that strategy during the financial crisis in 2008, when the client dumped his investments and missed out on part of the market’s rebound since then.

Orecchio said that he is treating the downturn as an opportunity to buy stocks at cheaper prices — even though many people have the opposite impulse.

“When the price of a 50-inch TV goes down before the holidays, people will literally knock other people down to get the TV,” Orecchio said. “When the stock market tanks and you can get stocks on sale, people run the other way.”

Bob Cicchino, 64, of Leonia is one investor who went bargain-hunting on Wednesday.

“I’m looking at my portfolio and looking at what I want to buy,” said Cicchino, a former florist who said he was able to retire in his 40s in part because of his investments.

Even with the recent trouble, investors have been on a long winning streak that began after the deep 2007-09 recession. The Dow plunged to 6,547 in March 2009, about six months after a worldwide financial crisis. Last year, the stock market jumped about 30 percent.

“We’re 10,000 points up [since March 2009]; think about it,” said Lauren Locker, a certified financial planner in Little Falls. She said few of her clients are nervous about the stock market’s recent performance. Volatility is to be expected, especially in view of the Fed’s plan to raise interest rates next year, she said.

Like Orecchio, Locker said her clients are not panicking, and only a few have called or emailed.

“I told them, we’ve lived through the end of the world together” — the 2008 financial crisis — “and we’re not there again,” she said.

Lori R. Sackler, a senior vice president at Morgan Stanley Wealth Management in Paramus, said she also had heard from only a few clients.

“Our job is to calm their fears and remind them they’re in it for the long term,” Sackler said. She said she could not predict where the market is going, but said that if concerns about Ebola and the European economy ease, the market could rebound by the end of the year.

David Hoffman, a spokesman for the Pennsylvania-based mutual fund giant Vanguard, said the company is advising investors to avoid impulsive decisions.

“In our experience, Vanguard shareholders have generally abided by this advice,” Hoffman said in an email. “That was true during the 1987 correction, it was true during the dot-com boom of the 1990s, and it was true during the 2008 financial crisis.”

One investor, Ira Smilovitz, 59, a tax preparer from Leonia, also shrugged off the recent market decline.

“I don’t look at the market day to day,” he said. When friends or relatives fret about the Dow, he asks them: “Are you using the money today? If not, worry about it when the time comes.”

“If I’m investing in companies I believe are good companies, stock prices are going to go up, down and sideways, but over an extended period of time, they should head up as long as the company is still successful,” Smilovitz said.

- See more at: <http://www.northjersey.com/news/battle-tested-n-j-investors-stay-calm-1.1109981#sthash.BaVqoiYN.dpuf>