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# Column: What to do as Fed passes on raising rates

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**by Joseph Matthews**

Now that the highly anticipated September meeting of the Federal Reserve's Open Market Committee is behind us, what should you do as an investor? What impact does chairperman Janet Yellen and other Fed governors' actions and post-meeting comments have on your family? And how will they impact your successfully reaching your investment goals?

Market participants were clearly looking for direction and transparency from the Fed regarding their thoughts on the direction of the U.S. and global economies. The information would improve investors' clarity, they hoped, and reduce their collective anxiety, resulting in lower market volatility. The dissension to raise rates expressed after the meeting doesn't appear to have fully quelled concerns about the current domestic and international business cycles.

As we've seen recently, markets show they can have a mind of their own with many indices down in excess of 10 percent from their highs of a few months ago. Since markets are the collective opinion of their participants, it's anybody's guess what happens on a day-to-day and week-to-week basis as the emotions of fear and greed take over. The type of heightened volatility we have been experiencing often is the result of traders doing what they do and individual investors acting in an inconsistent manner by letting short-term market events interfere with their long-term investment goals. Unfortunately, this type of behavior can put individuals in a vicious cycle of flawed decision-making.

What have we learned from the Fed? Well, it appears some members of the Fed are hesitant to raise interest rates because of concerns the U.S. economy isn't doing as well as they'd like, in part due to China's economic slowdown. Other members of the Fed believe that, because the U.S. economy has exceeded or is close enough to their growth targets, it's time for the central bank to start raising rates — for the first time since 2006.

The Federal Reserve's Sept. 17 decision to keep interest rates on hold because of concerns about "global financial conditions" is in line with Morgan Stanley expectations.

So what to do? As investors, creating an appropriate asset allocation is the most effective way to manage risk and the variability of returns we experience day to day, week to week and year to year. Through proper diversification, we can minimize this variability and align our portfolio with the three most important factors an investor needs to consider: tolerance for risk, investment time horizon and liquidity needs. Portfolios created and maintained with these in mind put the chance for successfully meeting your goals in your favor.

Interestingly, a recent survey of high-net-worth investors conducted this summer found roughly half, 49 percent, expect the Fed to raise interest rates between now and mid-2016 — and expressed at least some, 52 percent, concern current interest rates are creating a “consumer assets bubble.” More than half, 53 percent, of those surveyed feel the Federal Reserve Board and its decisions impact the performance of the U.S economy “a lot.”

And, eight in 10 high-net-worth investors in the New York region feel the global economy will be the same or better in the next 12 months. Just slightly more, 83 percent, say the same of the national and, at 85 percent, their local economies.

The future, they say, is rosy.

By looking at yourself in the mirror and being honest with yourself about how you invest — at times a difficult task — you should become better at the types of decisions you make about investing and, for that matter, your overall relationship with money. Remember, ensuing volatility is a concern for short-term traders and those with short-term goals such as buying a house or the current funding of a college education. More often than not, your long-term investment goals will be best served when your behavior toward your portfolio reflects a long-term mentality.

The Morgan Stanley Wealth Management Investor Pulse Poll was conducted this summer. It involved 300 U.S. households surveyed in the New York metropolitan area with at least $100,000 in investible assets, a third of which had investible assets of $1 million or more. Previous surveys in this series were released in April 2013, January 2014, September 2014 and January 2015.

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