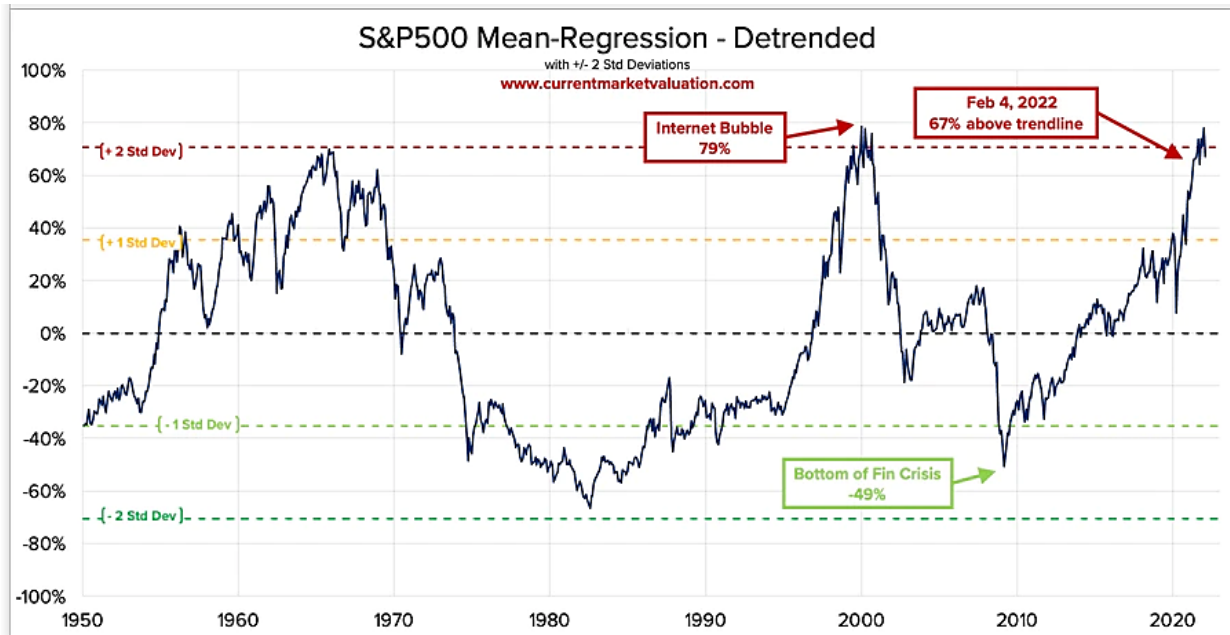


Is It Time for Panic in Your Portfolio?

By: Bob DiMeo, Chief Executive Officer

In early February, Amazon stock recorded the largest ever one-day gain in value for a U.S. company. Just 24 hours earlier, Facebook parent Meta Platforms suffered the largest ever daily loss. Inflation is high, the Fed is raising rates and stock valuations are suspect by many measures. *Is it time for panic in your portfolio?* Perhaps not, but now is a great time to reset perspective.

When investors assess markets, there are many metrics that can generate unease. Rather than delve deeply into the case for why stocks might be overvalued, I will share just one chart and then, more importantly, attempt to provide practical insights to help steer your portfolio.



Source: www.CurrentMarketValuation.com

The chart above portends a market that may be meaningfully overvalued. The S&P 500 is currently trading 67 percent above its modern-era historical mean, it's highest reading since the internet bubble of 2000. And while it's true that numerous indicators point to stocks being overvalued, we can easily reference data that suggests stocks are reasonably priced, especially considering high earnings and historically low interest rates.



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What Should Investors Do?

At Fiducient Advisors, we understand the dangers related to attempting to time markets and instead prefer this more intentional approach:

- ✓ Develop an investment strategy based on your unique *Inflows – Outflows – Required Return* and pay special attention to risk tolerance in this setting
- ✓ Construct a broadly and thoughtfully diversified portfolio utilizing both active and index strategies
- ✓ Adopt a systematic approach to rebalancing your portfolio

Market volatility ushered in the new year, and we very well may see 2022 play out differently than the past couple years of extraordinary returns for stocks. During difficult times, it can benefit investors to ground themselves in sound investment principles and also avail themselves to useful resources. In early January of each year, I review a list of *61 One-Sentence Financial Rules* presented by Morgan Housel. You'll find a dozen of my favorites that seem especially applicable in our current environment below.

One-Sentence Financial Rules

By Morgan Housel

There are 56,956 personal finance books on Amazon.com. In aggregate, they contain more than 3 billion words. This seems absurd, because 99% of personal finance can be summarized in nine words: Work a lot, spend a little, invest the difference. Master that, and the other 2.999 billion words are filler.

The most important finance topics don't require details. Most can be, and should be, summarized in a sentence or two.

Here are some I've learned.

1. Dollar-cost average for your entire life and you'll beat almost everyone who doesn't.
2. Every five to seven years, people forget that recessions occur every five to seven years.
3. You're twice as biased as you think you are (four times if you disagree with that statement).
4. Read more history and fewer forecasts.
5. It's strange that you go to the doctor once a year but check your investments once a day.
6. You're only diversified when some of your investments perform worse than others.
7. When in doubt, choose the investment with the lowest fee.
8. Change your mind as often as the facts change.
9. Ignore people who refuse to change theirs when the facts change.
10. Admit when you are wrong.
11. Imagine how much stuff you'd have to make up if you were forced to talk 24/7. Remember this when watching financial news on TV.
12. During the last 100 years, there have been more 10% market pullbacks than Christmases. Everyone knows Christmas will come; think of volatility the same way.

Increasing the odds of investment success is about having a gameplan that provides a fighting chance of achieving your goals... and then reducing both noise and fear when the challenges roll in.



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Please reach out to me or any of the professionals at Fiducient Advisors with questions, and feel free to access additional resources below.

[Request all 61 One-Sentence Financial Rules here.](#)

[Fiducient Advisors' 2022 Outlook – Navigating Moderation](#)

[Inflation, the Fed, Correction; Oh My!](#)

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