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For long-view stock investors, it might be a time to buy

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Ted Yoos, a fee-only certified financial planner and president of Cornerstone Financial Management LLC in Sudbury, answered readers' questions yesterday about the gyrating stock market at boston.com. Yesterday the Dow Jones industrial average rose 52.39 points to close at 12,268.73, a day after falling 416 points, the seventh-biggest one-day point drop in history. Here are excerpts from Yoos' chat.

Q All of my pension is in TIAA's most conservative investments like bonds. This market plunge won't affect that, will it?

A To give you a definitive answer to your question, I would need to know more specifically how your pension money was invested in the various TIAA-CREF investment choices. That said, if most of your pension is invested in bonds, or other conservative, low-volatility investment choices, then the losses in the stock market Tuesday should have had a relatively small impact on you.

In fact, investors bought bonds on Tuesday as they sought a safe haven from the sell-off in the stock market. This pushed bond prices higher, increasing the value of investments in bonds.

Q Any suggestions on where to look for bargains in the stock market?

A I would look at the high-quality, "blue chip" US companies that have operations around the world for potential bargains. These companies are, for the most part, very well diversified across a variety of countries, well run, and tend to perform better than smaller and riskier companies during times of stress in the stock market.

And don't necessarily restrict yourself to just US companies. There are many foreign companies that fit this description as well!

Q Should I take advantage of low prices and invest in the stock market right now?

A If you have a long-term investment horizon -- at least five years and preferably 10 years or longer, then Tuesday's sell-off can be an opportunity to put a little money to work in the stock market. If your investment horizon is shorter than three years, then you are speculating on what is going to happen to stock prices in the short term.

Q I have \$20,000 to put in mutual funds for our IRAs. Should I proceed immediately to take advantage of the drop or wait a week to see what shakes out?

A I am assuming from your question that you have \$20,000 in cash either already in your IRAs, or that you will be adding to your IRAs very soon. I would recommend that you begin by deciding what asset allocation you are targeting for your IRA investments -- that is, what mix of stocks, bonds, cash, and other investments you want to have in your portfolio generally and IRAs specifically.

If my assumptions are correct, and you have decided on an asset allocation for your investment portfolio, and you expect that this money will be invested for a minimum of five years, then I would suggest beginning to invest some of this cash in high-quality stock mutual funds or exchange-traded funds.

Q I can't believe people on CNBC were talking about gold again? Too early for gold, right? Dead-end investment?

A There is a role in a well-diversified investment portfolio for a small allocation to a broad basket of commodities. Gold is one commodity, however; there are many others such as petroleum and related products, other precious metals (silver, platinum, etc.), base metals (steel, copper, etc.), agricultural commodities (corn, wheat, soybeans, coffee, etc.), and others.

A small allocation to a broad-based commodity investment in a well-diversified portfolio can help reduce portfolio volatility and enhance returns during periods when stocks are under pressure because commodity prices have a very low correlation with stock prices. In other words, when stocks are "zigging," commodities tend to "zag." ■