

# Long-term view, anti-inflation forces allay market volatility

Investment allocations must be matched to long-term objectives and goals, and to one's individual time horizon.

It's a strategy that serves as a good antidote to market fluctuations and volatility.

Many individual investors find it tempting in the short term to try to time the lows and highs in the markets. But timing market lows and highs is very difficult and can have costly results.



Michael Joyce

An individual investor, for example, might have chosen to get out of the market in early February when we had a correction. If so, the investor would have missed the partial recovery that has occurred since then, illustrating the benefits of a longer view.

The average individual investor has returns that are lower than the markets and significantly lower than those of investors who use a financial adviser.

According to a study by Vanguard, the potential added value of an adviser in basis points of return is about 300, or 3 percent. Financial advisers provide behavioral coaching to clients or are given discretionary trading authority over their accounts, mitigating individual investor impulsivity and minimizing market timing mistakes.

## THE LONG TERM

It is important for investors to remember there have been very few 10-year time frames where stocks have had negative returns.

Even if an investor puts money into stocks at the top of a cycle, generally he will do just fine over the long term.

In fact, a study by J.P. Morgan shows the volatility of returns decreases significantly over the passage of time, with ranges in total returns varying as much as 85 percentage points after one year but only 10 points after 20 years.

And when portfolios are diversified, these ranges diminish significantly: The range of returns in diversified portfolios varies by 50 percentage points after one year but only by five points after 20 years.

## CHANCE TO SHED

In recent months, investors have grown concerned about market volatility.

It is doubtful that recent market corrections are the beginning of a bear market or that a recession is around the corner.

In fact, corrections can be healthy for the market and provide opportunities to make investments at more reasonable valuations.

While looking at new investment opportunities, it is prudent to be flexible and consider pruning positions that have appreciated substantially the past two years and that still may be trading at lofty levels.



PHOTO/MACRUNK

**The 'Amazon effect' restrains prices: Consumers pull out their phones to immediately determine if Amazon or another vendor offers an item at lower cost.**

## DEMOGRAPHIC IMPACT

While today's tight labor market has the potential to be bad for the economy since it could lead to higher inflation and interest rates, a major downturn because of rising interest rates is not a given since there are powerful secular disinflationary forces at play today and arguably into the future.

These forces that would counter the effect of higher interest rates are demographics, information technology and the globalization of supply chains.

With demographics, our population is aging and baby boomers are retiring. As these people leave the labor force, they make less money, their purchasing power decreases and, as this group gets larger, inflation slows.

## REIN ON PRICES

Another factor keeping inflation down is the impact of information technology on prices.

Just think about how the "Amazon effect" keeps prices low.

Retail consumers can simply pull out their phones to immediately determine if Amazon or another vendor offers an item at lower cost, which contributes to pricing competition and market disruption.

And finally, the globalization of supply chains keeps inflation in check by reducing costs for manufacturers.

## BATTLE OF ECONOMIC FORCES

Even with a tight labor market, these secular disinflationary forces are strong protection against market fluctuations.

The question is whether these factors will overpower the impact of a tight labor market pushing up inflation. Only time will tell.

One thing, though, is for sure – having a long-term strategy in place with a trusted financial adviser is the best defense against market volatility and potential economic downturns.

Investors are well-advised to be patient and avoid focusing on the day-to-day noise in the markets.

*Michael Joyce, founder and president of JoycePayne Partners of Bethlehem and Richmond, Va., is responsible for overall investment strategy, management of investment portfolios and financial counseling services. He can be reached at [mjoyce@joycepaynepartners.com](mailto:mjoyce@joycepaynepartners.com).*

## REHAB

continued from page 7

the developer.

### TRICKY BUT DOABLE

This ambiguity of incurred costs sometimes can be a double-edged sword.

Building from the ground up is easier, simply because incurred costs are more accurately accounted for.

Rehab projects consist of opening up the walls and hoping for the best. Costs can vary greatly – and may be more or less on any aspect of the project.

However, the market has seen a persistent wave of successful rehab projects that showcase the ingenuity of area developers.

## DOWNSIZING BOOMERS

The Valley's multifamily rehab projects have benefited significantly from the market's growing penchant for apartments but can contribute the majority of their success to the emphasis on buyer preference.

Developers have been remarkably in tune with the wants and needs of buyers, notably, a massive new, growing market of move-down baby boomers entering the market.

Members of this demographic have very specific tastes – they want to downsize their living options without sacrificing quality, paired with the walkability of a city and the convenience of a community.

Rehabbed spaces popping up on the

market have solutions, and, justifiably, the fastest absorption rates.

### MIXED USE

In meeting this market's tastes, developers are truly redefining the term multifamily.

These spaces have been refitted to offer buyers larger living spaces outfitted with full-size kitchens, wine fridges, dining rooms and extra half-baths.

Nearly all of these spaces are mixed use, accommodating residential and retail tenants.

### MINI-URBAN ENVIRONMENT

The Simon Silk Mill project, for example, has incorporated coffee shops, artist spaces and a gym, in addition to apartments. It gives residents the ability to get

coffee, go to the gym and grab a bite to eat within steps of their residence, creating almost a mini-urban environment.

As the market progresses, multifamily projects will consist less of standard garden apartments with pools and clubhouses and focus more on taking measures to manufacture pseudo-communities.

Valley developers peddling these rehab projects are on the forefront of changing trends in the marketplace, with plenty of room for growth.

*Jeff Drobbins is vice president, commercial division manager at Peoples Security Bank & Trust in Bethlehem Township. He can be reached at [jeffrey.drobbins@psbt.com](mailto:jeffrey.drobbins@psbt.com) or 610-317-4643.*

## RESOLUTIONS

continued from page 6

ligence and survival skills.

He concluded the single most significant factor was sense of a future vision. The compelling conviction of those who survived was a mission to perform, some important work left to do.

Survivors of prisoner-of-war camps in Vietnam and elsewhere reported similar experiences. A compelling future-oriented vision is the primary force that kept many alive.

### BOTH SIDES OF THE BRAIN

Mental imagery uses the right side of your brain.

When you write the goal, you are using the left side.

This is significant, because if you just think about one of your goals or dreams, you're only using the right hemisphere of your brain, your imaginative center.

But, if you think about something you desire and write it down, you also tap into the power of your logic-based left hemisphere.

### BE CLEAR

Make sure you have clarity about the goal.

If you are setting business goals, SMART goals help you set targets such as profit or

number of sales. SMART is an acronym for specific, measurable, achievable, realistic and timed.

For personal goals, you can adapt the process that works for you or use SMART as an easy reminder of the elements needed to form a specific goal.

Just remember to be so clear about what you want to happen that you can also see it in your mind.

### HAVE A CONFIDANT

Get your priorities on the calendar. Setting small steps or action plans and syncing them with the calendar will help stay on track.

You also can practice accountability by

telling another person what you want to achieve and reporting milestones to that person.

It all depends on you, whether you choose to take the essential steps to create the results you desire, or continue what you've been doing with the same results.

*Carol-Anne Minski of Jim Thorpe is founder and president of CMA Leadership Consultants. A coach, facilitator and author, she helps business owners and professionals, primarily in the Lehigh Valley, strengthen the essential skills needed to achieve their goals. She can be reached at [cmanski@cmaleadershipconsultants.com](mailto:cmanski@cmaleadershipconsultants.com).*