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# Questions. Questions. Questions.

**Tags:** investment planning [1]

It is increasingly difficult to ignore some of the trading action in the markets that is causing surprising moves in equity values while the underlying economy continues to struggle (refer to U.S. unemployment data, for example). This type of divergence has occurred in the past and at some point, the values reflected in the stock, bond and real estate markets are expected to closely reflect the underlying economy eventually.

But in the meantime, **the question is how do you invest today?** Do you decide to invest conservatively, knowing that at some unknown time in the future (months or longer) the markets will eventually more accurately reflect the underlying economy and the profit earning potential of publicly listed companies?

The opportunity cost of this approach is watching market values rise while you step aside into more conservative investments that offer lower returns. The other approach is to stay the course in the market that currently exists, looking to squeeze out maximum returns until there is a normal correction. If you are skilled enough (or lucky enough) you could switch strategies just before the next market correction happens. Of course, you will need to factor in the speed at which the markets move today, sometimes in minutes or hours, into your timing strategy.

**The strategy any investor chooses should always align with the kind of investor they are.** This will include factors such as time horizon, risk tolerance, age, temperament, available capital, and the ability to handle volatility in asset prices. Some investors will go for fast returns, while others will prefer to forgo some investment returns to sleep better at night.

As a reminder, there are only two ways to invest in the markets. The first and traditional method, is to invest in companies that have profits, and those profits are expected to rise over time at a certain rate of growth. The other way is to invest based on the expected price move of a security over a pre-determined timeframe. To simplify this further, you can view one method as investing and the other method as trading. Trading is a price movement method and could be considered as a business endeavour, given that there are some people seeking to earn an income from this type of activity.

**The key thought for today is the importance of staying focussed on a long-term financial strategy for accumulating assets over time.** This will allow you to replace employment income or earned income with investment income from distributions or capital gains once you have reached your retirement age.

**Call us today to discuss** [2] your portfolio positioning and your growth and income needs. We can also discuss any of the headlines you may have seen about "short squeezes" and "hedge fund trading strategies". And more importantly, if, or how, do these events may affect you?

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