Comments from the desk of Liz-Anne Allen

Awareness of Volatile Markets

Not many remember the late 1990's and early 2000's. In fact, many in the workforce today were mere children then or in their early teens.
How fast time flies. But as it is said, history is a great teacher and in fact, it often repeats itself.
Thus the need to pay attention to some current concerns in today's market.

In the late 1990's, Alan Greenspan was the head of the Federal Reserve Board (FRB) and interest rates were kept very low and the money supply flowing .
The economic boom fostered high tech development and surging IPO and following share prices. The technology bubble grew at breakneck speed and exponentially.
By 2000 the soaring stock growth was running out of control and by 2001, the bubble had to burst to stabilize a grossly outweighed price to earnings ratio.

Unfortunately, this soaring (though overly and falsely inflated) growth in Technology and Financial stocks fed the emotional hunger for profits and visions of an overly funded retirement kitty for Americans.

It was evident that many 401(k) Plans had over 75 % of their plan's assets in Tech and Finance.
The upshot of this was that when the bubble finally burst in 2001, the market corrected, but those who had banked on the surging price reign of these sectors, sometimes lost upward of 50 to 80% of their retirement savings.

Needless to say, as advisors we look at history and trends etc. We do not want to see our clients become over weighed in any one sector. The key is to stay diversified and risk appropriate.