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STOCK INVESTORS MAY BE TOO FOCUSED ON THE SHORT TERM
By Joel Sullivan, Partner

The widespread pessimism regarding the stock market and economies around the world is fully understandable. However, it may be clouding people's vision about potentially huge opportunities, especially for young investors.

Most everyone knows the old stock market adage to "buy low, and sell high". Warren Buffet puts it another way, "be greedy when others are fearful, and be fearful when others are greedy". Yet few have the courage to buy low, because that is when fear is the highest. With prices low, and fear high, this may be an excellent opportunity for long term investors to put money into the stock market.

Many investors nearing retirement have seen their net worth decline due to the drop in the stock market since 2007. There is real pain associated with the fact that stock prices are significantly lower today than they were 4 ½ years ago. That rear-view mirror approach should be totally irrelevant to young investors, and even to the astute, mature investor.

When evaluating investment opportunities, it is important to look beyond the current environment and even beyond the next several years. Many times people focus on "hot" stocks that they hope will give them large immediate profits. However history is full of companies that may not sound exciting, but have provided great long term returns to investors. Johnson and Johnson is one example, but there are many others. J&J doesn't make cool techno stuff. It doesn't make stuff with touch screens. It makes band aids and Tylenol and moisturizer, etc… However, if you bought $10,000 of J&J twenty years ago, it would be worth about $100,000 today. And, in addition to that, you would have received 3.5% per year in dividends. Not bad for a boring company. Not every year over that time period was positive for the stock, but patient investors were rewarded handsomely for sticking with the company.

There are likely to be many similar rewarding companies like J&J over the next 20 years. A "growing rich slowly" approach might be less appealing than seeking quick returns, but it is often a more reliable way to build wealth. To many investors, the recent volatility in the stock market can be frightening. It is often an excuse for avoiding the market altogether. However, I would encourage you to look at drops in stocks as a long term buying opportunity. Look beyond today, and beyond next year and focus on "growing wealth slowly" with regular systematic investments into solid, well run companies.

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