

Could this be the greatest Con ever pulled?

On May 5, 2009 the Dow Jones Industrial Average (DJIA) reached a low of 6594 after a continued media frenzy which predicted the demise of our economic system as we know it. Almost every day of every hour the media experts in the financial field were predicting doom and gloom. Many people believed this overblown hype portrayed by the media and sold their investments in mutual funds and stocks at a record pace. Where you one of them?

The people that sold because of this panic usually accepted a substantial loss because they didn't want to continue to lose any more money as the fear of economic Armageddon grew. When they sold their investment, it probably guaranteed a loss for most investors. How did it feel to watch your hard earned retirement dollars sink into media created abyss?

The DJIA hit high point of 14,066 on October 1 of 2007. This popular indicator of the market proceeded steadily downward until it hit 11,421 on September 8, 2008. From there the media hype machine kicked into high gear and proceeded to inform the American public that this was the beginning of the end for our economic system as we know it due to the failures of some well known financial institutions and the housing bubble.

From September 8th going forward all the public heard was how bad things were, which caused the DJIA to continue to spiral downward reaching a low and a reading that was last seen in January 1997. While we still are getting reports of doom and gloom with unemployment numbers higher than normal and the housing market still tanking worse than a well know celebrity exiting jail (wink wink), the DJIA has clawed back to 10,948 as of October 7, 2010.

During this media circus did you feel like the end was near? Was panic a strong emotion? Did you sell your future because of the hype and not because of the fundamentals? Do you still believe we are heading for financial destruction?

Our belief is that the media probably doesn't care which way the market goes as their business is driven by excitement and fear. They get to play both sides of the fence!

The emotions of fear and excitement are what drive's people to read periodicals or to watch TV programs that talk about the economy and stock market. Amazingly, these same fears and media induced excitements are the same things that Wall Street loves as they make money whether the market rises or falls.

Through the years our economic system has demonstrated great resiliency time after time following financial downturns. The DJIA has risen 66% since hitting that low point in 2009. Do you feel like you have been “conned” by many of the so called experts?

The truth is that hype works just as well when things are going good as when things are bad. The people that didn't panic and sell their investments have seen their portfolios steadily climb back. The smart investors that bought at the low of the DJIA probably have noticed some nice gains in their portfolio since that period. Investors that have been patient still have a chance to get back to even or even show a gain at some point. And all those folks that continued to dollar cost average into their retirement accounts are feeling pretty good right now.

Our country still has problems with unemployment, a slow housing market (even with mortgage rates at all time lows) and jobs are still leaving the country. Also, we are headed for inflation because of the economic policies that have been put into place to overcome the downturn in the market.

However, new jobs are being created and people will eventually buy up the housing inventory. And consumers are still buying goods as we still need to eat, dress and live!

What you should have learned is that education is the greatest investment. Stick to the fundamentals. Know your risk tolerance. Always protect your downside risk with diversification and a balanced portfolio. The market is in constant movement and each investment should be evaluated for separately. You need to determine what your expectations are for each choice you make.

Finally, what should be loud and clear, don't make your investments based on the hype of the media. Research, ask questions and work with a professional who is knowledgeable and is patient. And by all means, don't panic!

Just think if just half of the \$3 trillion sitting in money market funds had been placed back into the market in May 2009, where would we be? As Warren Buffett says' “Be greedy when others are fearful and fearful when others are greedy.”