Vote for Solid Investment Strategies

With the presidential election just a few weeks away, the public is naturally interested in not just the outcome but what the results will mean for issues of national importance. As a citizen, you likely share these concerns — but how about as an investor? After the votes are counted — or even before — should you make some moves in anticipation of possible changes in policy?

Let's look at the big picture first, through the lens of history. The financial markets have performed well — and at times, not so well — under Democratic and Republican presidents alike. And the same is true about which party controlled Congress.

While it might be an overstatement to say that decisions made in Washington have no effect on the markets, it's not always so easy to draw a direct line between what happens there and how the markets perform. For one thing, political candidates often make promises that are not fulfilled, or, if they are, have different results than intended. Also, other institutions can have a significant impact on the markets. For example, the Federal Reserve, which controls short-term interest rates, can certainly affect many market sectors. And there will always be external events, such as foreign conflicts and even natural disasters, that can make short-term impacts on the investment world.

So, rather than making changes to your portfolio in anticipation of what might happen if certain candidates get elected, or even in response to actual policy changes, look to other factors to drive your investment decisions.

These factors should include the following:

• *Your goals* – You probably have short- and long-term goals you'd like to achieve. For your short-term goals, such as a wedding, a down payment on a house or a long vacation, you may want to invest in instruments that provide stability of principal. For your long-term goals, most important of which may be a comfortable retirement, you'll need to own a reasonable number of growth-oriented investments.

• *Your risk tolerance* – When you build and maintain your investment portfolio, you'll need to accommodate your individual risk tolerance. All investments carry some type of risk, but you need to be comfortable with the overall risk level of your investments.

• *Your time horizon* – Where you are in life is an important consideration when investing. When you are young and just starting out in your career, you may be able to focus more on growth, as you have time to overcome the inevitable short-term market downturns. But as you near retirement, you may want to consolidate any gains you may have achieved, and lower your risk level, by moving your portfolio toward a somewhat more conservative approach. Even in retirement, though, you will need some growth potential to stay ahead of inflation.

• *Your needs for liquidity* – As you invest, you'll need to maintain an adequate amount of cash and cash equivalents in your holdings. Without this liquidity, you might be forced to sell long-term investments in case you have unexpected expenses.

In any case, when it comes to investing, you may want to pay less attention to what names are on the ballot — and instead "vote" for the longer-term strategies that reflect your needs and goals.

This article was written by Edward Jones for use by your local Edward Jones Financial Advisor.

Edward Jones, Member SIPC

3 – Oct. 14, 2024
542 words