

You, the Capital Markets and Your Brexit Fears

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One of our responsibilities as your financial adviser is to help you put market news in its proper perspective, especially when the media is reporting particularly steep, UK market declines like we’ve seen during the past few days.

If you are okay with ignoring the current headlines and going about your business according to the investment portfolio we recommended to you, feel free to continue as you were. Unless you would like to revisit your own risk tolerances or individual financial goals, none of our advice about how to manage your personal portfolio has changed.

If, on the other hand, you are wondering whether you should adjust your investments in light of the unknown Brexit implications, we’d like to offer some context on why withstanding today’s bad market news can actually translate into good news for you and your investments, at least in the long run.

Remember those conversations we’ve had about your willingness, ability and need to tolerate market risks in pursuit of expected rewards? This week’s market performance serves as an excellent illustration of just what that risk feels like when it happens. It hurts, it can be scary and it’s not any fun at all. But if these sorts of realised risks never occurred, sometimes severely, the market could not be expected to deliver long-term premium returns to those who are willing to ride out the pain.

And yet, withstand the risk we must do – together – because it’s exactly this type of market risk that we have deliberately built into your portfolio, and globally diversified among stocks and bonds alike, in pursuit of achieving the expected returns defined within your investment portfolio.

While we don’t let breaking financial and economic news overly influence our long-term advice, we do find the information fascinating. It also continues to contribute to our ongoing understanding of how markets operate over time.

By ignoring current headlines and the temptation to react to the bad news with active trades you will find that:

1. By the time you’re aware of good or bad news, the rest of the market knows it too, and already has incorporated it into existing prices.
2. It’s *unexpected* news that alters future pricing, and by definition, the unexpected is impossible to predict.
3. Any trades, whether they work or not, cost real money.

Rather than try to play an expensive game based on information over which we have little control, we continue to recommend investing according to market factors that we *can* expect to control, such as:

1. Minimising costs
2. Forming an investment plan to guide your way – and sticking with that plan
3. Capturing returns available by participating in expected long-term market growth
4. Maintaining diversified holdings to dampen market risks

In short, if current news is getting you down, let us know. We’ll be happy to talk over the particulars with you and answer any questions you may have. Remember, stick to your long-range plans – or work with us to deliberately revisit them if those plans no longer meet your personal goals.