Good afternoon!

I received an e-mail late last night from a client with the above subject line. This made me think that most of our clients may be thinking about this question.

Since we are all humans, we attach emotions to our decisions; frankly, often emotions drive people to make decisions more than deep, rational thoughts. The stock market is no different than you and I, made up of a vast amount of people (and machines) – parenthetically, Michael Lewis' recent book "Flash Boys" is a very interesting read. The stock market has remained volatile in the last few years – when prices decrease and when prices increase. No one really cares about market volatility when prices increase, since they're making money, but we cannot ignore the increased daily fluctuations in the stock market.

So, what should we do?

Ask yourself: "How much does the daily market noise – and it is mostly noise – truly affect my life?"

Ask yourself a second question: "Do I have enough cash in the bank to cover my expenses for the next year or so?"

Most of our clients do not let the market affect their life and have plenty of money in the bank, so as not to draw on their portfolios when values drop.

In one of the worst disasters we have collectively experienced, the financial meltdown over five years ago was, in hindsight, very frightening. Banks essentially shut off their spigots and capital was not flowing around the world. Money flow is to financial markets what blood and oxygen are to our bodies. After the market went down close to 40%, prices came back within a few years. If you didn't panic and dramatically change your overall asset allocation, you may have seen some recovery in your portfolio.

Is this time different?

We believe it is. Worldwide stock markets and flow of capital is stable, economic growth (albeit uneven) remains positive, without the hint of inflationary pressures (mostly due to flat wages), and corporate profits continued to increase, even if/when companies lower earnings guidance for the future. Many companies lower earnings guidance to keep Wall Street analysts' expectations in line with the growth of their respective businesses.

The S&P 500, as of 10/15/14, is approximately 8% off an all-time high, but still up 8% in the last 12 months.

Could this be the 10% price correction we have not seen in more than three years? Possibly. Historically, prices drop by 10% or so at least annually, so we have been overdue for this to occur. This could be a fast bottom in prices and could very quickly prove to be a decent entry point into buying quality companies at better values. This market could also drop another 10%, which defines a bear market. Either is possible, but we believe more so the former than the latter.

Sit tight – easy to say, more difficult to do - turn off the market noise and enjoy the upcoming holiday season, which is fast approaching.

We are here to talk, listen, and address any questions or concerns about your personal financial life. Please call or e-mail us, if we can help in any way.

Thank you very much for listening, and for your continued trust and confidence.

Warmest regards,

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