

Addressing Uncertain Times with a Long-term Plan

Technology has revolutionized our access to information. Three hundred years ago, news spread only as fast as the wind could push ships. One hundred fifty years ago, news traveled at the speed of the telegraph wire and the Pony Express. One hundred years ago, radio was all the rage. Seventy years ago, the television took the center stage. Today, cable news and the internet give us instantaneous access to information that is often presented in a way customized to our previous personal beliefs.

This information wonderland can rapidly advance knowledge but can also be overwhelming during periods of uncertainty. Each “breaking news” headline can exacerbate our inherent fear of uncertainty.

The past few months have presented a whirlwind of new such uncertainties – from the start of a new round of tariffs, to a dramatic restructuring of how our federal government operates, to a sharp shift in how the government controls our borders. Looking ahead, we see additional uncertainty on the horizon, from the potential for another government shutdown, to new policies aimed at corporate deregulation, to the potential extension/expansion of tax cuts. Some may be tailwinds for investors and the economy, others may be headwinds. Moreover, it is unclear which potential changes will prove to be long-lasting, which will be fleeting, and which may not occur at all.

The pace at which these potential changes are being announced and revised, coupled with that inherent bias we all have (in varying degrees) toward that intolerance of uncertainty, can lead people to question whether “this time is different” and to seek “protection” from markets at the expense of returns. And, truth be told, it is always different. To quote Mark Twain, “history doesn’t repeat itself, but it often rhymes.”

Five years ago was the start of the global COVID pandemic. Global stocks plunged almost -35% over a few weeks and the economy collapsed by -10% due to the shutdowns to prevent COVID’s spread. Everyone wore masks in public. Uncertainty over the future was rampant.

Since that time, global stocks have rebounded 140% and the economy has grown almost 40% to new all-time highs. And in our recent air travels we’d estimate that maybe 10% of flyers were still wearing masks on flights.

We could provide similar analogies using the regional banking crisis of 2023, or the Global Financial Crisis, or any other number of uncertain periods of our history. Some wound up in recession, others did not. To be sure, there will always be another recession. The questions are when, how long, and how deep, and their answers are unknowable in advance.

We start to address those known unknowns by acknowledging they exist and then leverage some of the benefits that being long-term investors provides. Markets can rise or fall over short periods of time, but over long periods of time they rise much more frequently than they fall. Diversification across and within asset classes that are experiencing different opportunities and risks simultaneously provides a more consistent path of returns for investors than owning any single

asset class. Stocks and bonds consistently outperform cash. Time in the market matters more than timing the market.

Maintaining the discipline to not prioritize short-term uncertainty over your long-term plan – which already incorporates the potential impact from short-term losses if and when they occur – unlocks these benefits for investors. The best financial plans mitigate the impacts of uncertainty by focusing on more consistent drivers of the best outcomes – like cash flows, the economy, potential market returns, the ability (and willingness) to tolerate risk, remaining disciplined, and staying invested.

If you have any questions or would like to talk about your specific situation, please do not hesitate to contact your Advisor.

Your O'Brien Team

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