



# THE IMPORTANCE OF STAYING INVESTED



**During the height of the recent crisis, investors were advised against the buy and hold strategy. Now, it seems that staying invested is the better bet.**

**CHRISTOPHER TAN explains why and how.**

The last 12 months was a humbling process for all in the investment advisory and management business. When the markets came tumbling down, most didn't see the storm coming. When everyone predicted it to last for a long time, the financial markets recovered just 6 months later. During the depth of the crisis, many "experts" appeared and slammed the buy and hold strategy, advising investors to move to cash and wait for the right time to enter. Many who exited are still sitting on cash today. Staying invested now seems to be a better idea. Those who suggested timing the markets seem to have disappeared overnight. Of course, there are a few who successfully exited and re-entered the markets again. But how many times can they be so lucky? For we all know that no one can be right most of the time. It remains to be seen what their investment results will be in the next 10 years by guessing the best time to invest. But going by history and plenty of research, I am not in the least hopeful.

Having spent more than a decade in financial planning and wealth management across 3 crises (Asian Financial Crisis, Tech Bubble and the current crisis), I have concluded that the key to successful investing for most of us is to stay invested and keep investing. Using time to ride through the volatility and using the average long term returns of the market to get compounded returns is the best way to reach our goals. But investors find it hard to believe that it is really so simple. We prefer to believe that there must be someone really smart out there who has a crystal ball, and can tell the future with great accuracy. Hopefully, the last 12 months has shown us that this is a fallacy.

Although the idea of staying invested and keep investing is simple, it is really difficult to execute. I know it sounds oxymoronic, but let me explain.

You need the 3 S's to be present: (1) Sufficiency mindset (2) Strong financial foundation and (3) Strong adviser

## *Sufficiency mindset*

When I asked most investors why they are investing, most will give me a strange look and answer: "to maximize the returns of my money of course!" This is exactly the mindset that will cause you to time the market, to try and beat it so that you can get maximum returns. Sufficiency is the opposite of greed. We should invest for the returns we need so that when the time comes for us to use the money, like retirement or funding our kids' education, we have enough. Understanding this help us not be greedy, take unnecessary risk, stay invested and keep investing. This is because, all we need is the average long term returns of the market, which more than a century old of history has shown us that it is always there regardless of any crises. But it is difficult to achieve this mindset because of the sin of greed that is inherent in us.

## *Strong financial foundation*

If we have enough rainy day funds to tide us through an emergency, if we are not overly in debt, if we are good in our work and earn



a reasonably good income, if we keep our expenses low and are able to save 10% to 20% each month, if we are not investing all our money away, if our insurance is well done up to protect us against all

life risks, if we are physically healthy, if we have quite a long while before we need the money we invested, the ups and downs of the market mean nothing to us. We will be able to stay invested because our foundation is strong. The problem with most investors is that we don't spend time doing a thorough financial audit and jumped right in and out of the market because someone invoked our greed or fear about an upcoming trend or financial holocaust that his "crystal ball" is telling him about.

### *Strong adviser*

As investors, we need an adviser that is experienced and competent to instill that sufficiency mindset, helps us know what we really need



and assesses our financial foundation. He will then put together a suitable investment portfolio that will deliver the returns we need over the long term but yet does not go up and down beyond what we are psychologically and financially comfortable with. This is so that we can stay invested and not bail out halfway, because we feel like vomiting! He must have the moral courage to stay and hold on to us throughout the entire investment ride. Unfortunately, over the last 12 months, I have come to know of many advisers who switched to selling

properties, land banking products and insurances because "this is a bad time to be selling investments". They bailed out before the clients do!

I find having a strong adviser the most important of the three but yet the hardest to achieve. Over the past months, we have been looking for advisers who are competent and passionate to do good work, to grow our team. Candidates will come and say how passionate they are in providing good advice to clients but when they realized that they couldn't make big bucks fast in a firm that doesn't take commissions, they find a nice way to exit from the interview. That is how much passion costs! People must realize that if you truly want to do good financial advisory work for the client, you cannot make big bucks fast unless you take big fat commissions and incentives at the expense of the clients. You will only make a comfortable income after some years when you have proven yourself to be competent and can retain the trust of your clients. But I guess, not many have that patience to wait. So it was an uphill task for us, especially when the banks are recruiting again.

The markets have generally risen over the past 10 months. Gauging by the crazy prices of properties in Singapore, everyone seem to be bullish again. But please do not let what we have gone through in the last 12 months go to waste. Be equipped with the 3 S's before we jump onto the investment bandwagon again.

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