Careful Carol and Greedy Gail

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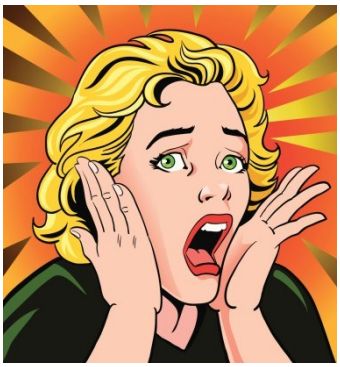
If you've kept an eye on your 401k or IRA statements over the past two years, there's a good chance you've seen your balance grow. After the brief bear market of early 2020, stocks went on an upward streak, fueled by the power of government stimulus, low interest rates, and resilient consumers. This type of market attracts excited, enthusiastic, and even greedy investors who often take more risk than they should.

Lately, we have seen stock prices head in the opposite direction. It is normal and expected for the market to drop during any given year, but volatile markets always lead to fear among investors (which in 2022 is amplified in our various news feeds).

In light of these conditions, I am revisiting a favorite article at the Golden Pond office titled "Father Fear and Uncle Greed," written by my colleague, Brian Bernatchez. But this time, I give it a feminine update: meet "Careful Carol" and "Greedy Gail."

Right now, the Careful Carols of the world are saying, "I told you so." They are scolding investors for taking on so much risk and proudly stating the benefits of conservative assets, like bonds and cash.



The Greedy Gails have ignored Careful Carols the past few years. They did not rebalance their portfolios to keep their stock & bond mixes in check, believing that stock prices will rise forever.

I recommend listening to both Carols and Gails at all times but never letting one completely dominate your strategy. Careful Carols go quiet when risk is highly rewarded, and Greedy Gails hide away in defeat when markets drop. Investors must be disciplined and always consider these conflicting perspectives and attitudes.

More importantly, investors need to think critically and take some emotion out of the equation. (In our experience, this is something women are quite good at!) I prefer to let another variable drive investment strategy: time. When do you actually need to access this money?

Money that will be used in the next five to seven years should be in Careful Carol's favorite investments: bonds and cash. Historically, bond prices have not fluctuated nearly as much as stock prices, and should be the first thing you liquidate (sell) in your portfolio when markets are unsteady.

Greedy Gail typically wins when it comes to longer term investing. Consider investing money you won't need in the next seven years in the stock market. Avoid selecting a handful of trendy stock picks and aim for diversification. Many stock mutual funds or ETFs are highly diversified. If you allocate funds appropriately based on your time horizon, you are inherently preparing for market swings and in most cases, don't need to "do something" when the market drops.

This might mean that the allocation for your 17-year old's college fund will look very different from your own Roth IRA – and that's perfectly ok. Just remember to check on each of your accounts regularly, consider what Careful Carol and Greedy Gail have to say, and revisit your long-term strategy.