



Sometimes We Lose Perspective

By Scott A. MacKillop

November 29, 2011

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It's been a rough ride lately for investors. Looking back over the course of my lifetime, however, what has been particularly exceptional is *not* recent market swings – these come and go – but rather the return one would have earned if they had been continuously invested in the stock market over the past 60-plus years.

The focus *du jour* is on the European debt crisis and our own struggling economy. At home, we see high unemployment, slow growth and a continuing deficit problem. The Occupy Wall Street movement reminds us that we spent billions of taxpayer money bailing out financial institutions that don't look a whole lot more responsible today than they did five years ago. Overseas we watch as country after country struggles on the brink of insolvency. We have become numb reading about war and unrest in the Middle East and Africa. Confidence in our politicians has evaporated.

We ask ourselves if things could get much worse.

At times like these, it is easy to lose perspective. The truth is we have been here before, many times, although the details are always different. This is really quite familiar territory.

Over the course of my lifetime, US large-cap equities have returned over 11% compounded annually. A dollar invested when I was born in 1950 would be worth well over \$600 today. Some might consider that remarkable, considering what markets have endured over that time period:

Tough markets and bad economies

- Ten bear markets
- Ten recessions (averaging about 10 months apiece)
- The tech bubble collapse
- The housing bubble collapse

Government bailouts

- Penn Central Railroad (\$3.2 billion in 1970)
- Lockheed (\$1.4 billion in 1971)



- Franklin National Bank (\$7.8 billion in 1974)
- New York City (\$9.4 billion in 1975)
- Chrysler (\$4 billion in 1980)
- Continental Illinois National Bank & Trust (\$9.5 billion in 1984)
- The S&L industry (\$293 billion in 1989)
- The TARP program (\$19 billion in 2008)
- The automobile industry bailout (\$130 billion in 2008)

Unemployment

- In 18 calendar years it has exceeded 7%
- In seven calendar years it exceeded 8%
- In five calendar years it exceeded 9% (not counting 2011)
- In three calendar years it exceeded 10%
- It was almost 11% in 1982 (10.8%)

World economic crises

- Latin American debt crisis (early 1980s)
- Japanese asset bubble burst (early 1990s)
- Asian debt crisis (1997)
- Russian debt crisis (1998)

Wars

- Korea
- Vietnam
- Iraq I
- Iraq II
- Afghanistan
- Military engagements involving US troops in Bosnia, Grenada, Haiti, the Dominican Republic, Panama, Lebanon, Yemen and Somalia.
- Not to mention the Cold War and the Cuban Missile crisis

Violence and turmoil

- Three unsuccessful presidential assassination attempts (Truman, Ford, Reagan)
- One successful attempt (Kennedy)
- Watergate (1970s)
- Munich Olympics (1970s)
- The Unabomber (1970s-1990s)
- Oklahoma City bombing (1995)
- 9/11 (2001)



Change and societal disruption

- The Civil Rights movement
- The Black Power movement
- The Equal Rights movement
- The Gay Rights movement
- The Environmental movement

Yet somehow through it all we make progress. After all...

We started the period without

- Computers
- The internet
- Fax machines
- Color TV
- Seat belts in cars
- Jet engines on commercial aircraft
- Microwave ovens
- Satellites in the sky
- Footprints on the moon
- Contact lenses
- Cell phones
- Credit cards
- ATM machines
- iPods

Life is better for most people

- Life expectancies have increased (from 68 to 78 years in the US)
- Infant mortality rates have decreased (globally from 156 to 45 per 1,000 live births)
- US GDP has increased from \$294 billion to \$15 trillion
- Literacy rates have improved – among adults worldwide, from 56% to 83%
- Income has increased (US median household income has doubled, after inflation)

Despite all these difficulties and turmoil we continue to make progress. The seven billion people in the world don't stop trying to improve their lives just because times are tough. Times are always tough.



The question is not “when are things going to be good again?” Challenges and difficulties are a part of our everyday lives. The question is “how are you going to navigate through the challenges and difficulties that we are sure to encounter?”

Opportunities will continue to arise in the midst of the turmoil we are experiencing today. Don't get caught up in the frenzy surrounding the crisis of the day. By maintaining perspective you have a much better chance of successfully guiding your clients toward their long-term financial goals.

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