

# Financial Focus

## Will Presidential Election Year Affect Investors?

2008 is a presidential election year, so you may well have a great deal of interest in the election. But how about as an investor? How does an election year affect the investment climate? And, again from the perspective of an investor, does it matter who wins?

To begin with, let's examine how the stock market reacted in the past to the election of a president. The Dow Jones Industrial Average rose in nine of the past eleven presidential election years, with an average gain of slightly more than nine percent. So it's clear that, for the most part, the market has done pretty well when America goes to the polls.

Does the election or re-election of a president just make us more optimistic, leading us to invest more heavily and thereby drive up the markets? Probably not. In reality, many factors—such as corporate profits, geopolitical concerns, interest rates, and inflation—drive stock prices. And this is true in all years, whether or not an election is held. Consequently, stock returns from past presidential election years, while impressive, cannot serve as a reliable predictor of what the market might do in 2008.

Now, let's turn to the next question: As an investor how will the outcome of the election affect you? There's not really a simple answer. In the past, the stock market has performed well, and performed poorly, under both Democrats and Republicans. Of course, candidates of both parties will have different priorities and try to enact different economic agendas...and these priorities may have some impact, although one that is notoriously hard to predict, on different market sectors. In short, no one can accurately forecast the effect of this November's election on the financial markets, and that will not change even after the nominees are known.

Instead of pondering the “what-ifs” involved in a presidential election, you're much better off following some tried-and-true investment strategies. Here are a few to consider:

- Keep on investing. World events may be good or bad, and the stock market may be up or down, but no matter what happens, the most successful investors stay in the market. Look for quality investments and hold them until either your needs change, or the investments themselves undergo some type of transformation.
- Know your risk tolerance. If you're losing sleep at night over your investments, you're probably taking on more risk than the amount with which you are comfortable. At the same time, if your investments are putting you to sleep, they may be too conservative...which could mean that they are not providing the growth necessary to help you meet your goals. Strive for a balance that fits your investment personality.

- Think long-term. If you're constantly adjusting your investment mix in response to short-term events, you'll probably rack up big commissions/fees and you almost certainly won't make the necessary progress toward your important objectives, such as a comfortable retirement. So, train yourself to ignore daily or weekly or monthly price fluctuations and keep your eyes on the far horizon. If you've chosen the right investments, they should be designed to help you work toward your goals, in exchange for your patience.

This November, don't forget to vote. But before and after Election Day, cast your ballot for solid investment technique.