In a popular Netflix movie, Sandra Bullock and two children seek to escape an ominous force that motivates observers to commit suicide. Victims stare into nothing, hear voices of deceased loved ones, perhaps experience their greatest fears, pupils get weird and then BOOM. Suddenly, people are jumping in front of cars, stabbing themselves in the neck with scissors. Blindfolds are the difference between life and death. Birds can detect when this invisible death mist is rolling in. They go into a frenzy. The heart of the film is a blindfolded crew of Bullock and two children who must travel a treacherous river to a safe haven. Ironically, a home for the blind located downstream. Our three protagonists have the ragged clothes on their backs and death-grip on a box with a strap. The box has holes. Inside the box? You got it. A couple of birds. Nature?s ADT against *?the thing that causes you to horrible things to yourself.?* Personally, I thought it animal abuse. I mean, aren?t there enough birds to pay attention to in the sky without having to keep captive two parakeets in a tiny box? But I digress. Anyway, you don?t need to set traps or hit up Petco to stock up on birds. Inside your body is the best primal warning system on the planet. It?s called your ?Gut Box.? The financial industry passionately advises investors to ignore their emotions when it comes to financial, specifically portfolio decisions. Emotions and money can be a lethal mix. However, there?s an ulterior motive as I?m justifiably skeptical of the industry, overall (I?ve earned the right; I?ve been navigating this rancid river for 29 years). The overarching goal of the brokerage industry is to monetize cash - keep it wedged in expensive managed stock portfolios with portfolio managers blindfolded to sell disciplines.

There are 4 statements that big-box financial brokers and their strategists expound under the appearance of guidance when they should be considered pacification. If your Gut Box begins to flutter when you hear these words of obfuscation, it?s not an overactive imagination. Consider it an early warning system trying to send a message. I?ll be breaking down into 4 blog posts to provide investors a way to respect their emotions but not blow up their portfolios.

Part 1 - Don?t Check Your Statements!

As an investor, you have been told to believe that checking brokerage statements or investment accounts through periods of market turmoil is an egregious activity. When markets are in turmoil, the industry prefers investors turn a blind eye to the carnage. After all, it?s stocks for the long run, right? Markets inevitably go higher, correct? Bear markets are short lived vs. bull cycles. Well, I don?t drive with my eyes closed (although there are Bird Box challenges inspired by the movie; recently a blindfolded young woman behind the wheel was arrested for causing a crash). Granted, I?m suspicious of the industry?s underlying motives for the advice but it?s not all bad. After all, checking in on your investment accounts too often may lead to emotional or knee-jerk portfolio activities which can be detrimental to overall returns. However, it?s best long-term to address emotional pitfalls head on, especially when it comes to money. I don?t believe burying your head in the sand is an emotionally-healthy strategy. It?s a cop-out message the industry spreads to minimize the number of investor inquiries because questions distract brokers from meeting sales quotas. It?s best to create a process and to treat brokerage statements and review of investment accounts during good and bad periods as an education, not a blind trigger to act.

Here are a few ideas to consider.

Unless the money is needed or liquidation of variable assets like stocks is required in less than 5 years to meet a financial goal, think of your review as an investigation, a period of self-discovery. Not that you should sell at the first sign of market turbulence. However, if money invested outside of cash and cash equivalents and short-term fixed income investments is required in less than 5 years then you should work with a fiduciary financial partner to rebalance the portfolio and reduce stock exposure. As a pre-retiree entering the *?right lane and ready to exit,? (defined by RIA as those 3-5 years from retirement),* recent volatility should be considered a red alert and a portfolio re-shuffle is in order. Don?t fret over missing out on the possibility of future portfolio gains. Focus on potential losses that can postpone retirement plans. If it reduces FOMO *(fear of missing out),* consider how rich stock valuations are today as measured by the average of 5 and 10-year inflation-adjusted earnings. Generally, a stock allocation that doesn?t exceed 30% should be considered. If greater, a sell discipline must be employed to minimize losses. There?s nothing wrong with maintaining two to three years of estimated future living expenses (or needs), laddered in short-term bonds or certificates of deposit that are staggered in maturities from six months to three years. I?ve recognized how brokers do a great job at selling product but are overwhelming deficient with helping clients rebalance portfolios. Most likely if you?re distressed by what you see, the allocation to stocks is too aggressive for an investor so close to a retirement date. There should be a sense of urgency to meet with a financial professional, preferably a fiduciary, who can assist with portfolio rebalancing suggestions.

> ***Create a series of questions that seek to surface how you?re feeling (yes, how you?re feeling), along with queries about strategies and specific investments.***

As much as the industry tells you to ignore your Gut Box, it?s ok to feel bad about losses whether they?re temporary or not. As a stock investor, the willingness to take on volatility and suffer losses is par for the course, the price of admission. Frankly, if you cannot handle price movement, or your emotional bandwidth is limited, you?re better off to face the truth, liquidate stocks and stick with certificates of deposit. Even balanced portfolios - 60% stocks, 40% bonds can experience volatility of 9-13%. So, self-discovery questions about whether you can handle the heat are warranted. Be honest and consult with your financial partner to adjust accordingly. I meet with investors regularly who are fed false narratives about bear markets ? how infrequent they occur, how bulls run with greater frequency. Some are not told anything about how damaging bear markets can be to financial plans. Why? Because inexperienced advisors only know what?s occurred the last decade. Keep in mind, the average bear can tear through 37-43% of your stock returns. Not too shabby. Thankfully, bears occur 40% of the time, otherwise all investors would do is break even. On average, it takes 6 years to recover from a 20% loss. Sadly, most of the people I meet once I extract their contributions to investments, have had little return over the last two decades. There are myriad of emotional pitfalls, higher costs, adherence to buy and hold strategies which have contributed to poor outcomes. As a tenured investor comfortable with volatility, it?s still advisable to re-visit your advisor?s overall strategy, philosophy and reasons to own the investments they suggest. **Play the fictional loss game!** Listen, this isn?t a fun game. It?s a method to trick your brain to understand emotional bandwidth to endure losses. It?s easier than you think to trick your brain into a belief, even if false. At the least, it?s a possible future reality, isn?t it? **Here it is:** Simply ? Isolate your stock allocation. Subtract 20%. Write out the dollar amount of the loss. That?s it! How do you feel? What would you do? Can you handle it? This latest market bounce is your great gift to reduce equity exposure to an emotionally-manageable level. Consider it a way to reduce rumblings in your Gut Box. Here?s what?s coming in future blog posts. Have you heard these before?

- I think we?ve seen the market bottom.
- If you sell, you?re a market timer.
- We?re in it for the long term.