Your Small-Town Doctor of Financial Planning Says:

Adhere To Proven Investment Principles

It is both delightfully simple and genuinely compelling to be able to summarize the behavior of the equity markets, not only in 2023 but over the last two years. We can do so in two sentences: **In 2022, the Dow, the S&P 500 and the Nasdaq 100 experienced peak-to-trough declines of 21%, 25%,and 35%, respectively. A week before Christmas 2023, all three were in new high ground on a total return basis (that is, including dividends).**

Why stocks did this is irrelevant to the wonderful lessons to be drawn from this experience. There are almost as many theories and explanations of **why** as there are market commentators. (Note that the number of said commentators who successfully forecast both the market action of 2022 **and** that of 2023 was, to our knowledge, about zero.)

What should matter most to long-term, goal-focused, plan-driven investors is not **why** this happened but **that** it happened. Specifically, that there could be a pervasive and very significant bear market over most of one year, and that those declines could be entirely erased in the following year. Although not nearly as quick or as perfectly symmetrical as the 2022-23 experience, in the largest sense, **that's how it works**. With that in mind, here are our timeless and enduring principles reinforced by these two years:

- The economy cannot be consistently forecast, nor the market consistently timed. Thus, we believe that the highest-probability method of capturing equities' long-term return is simply to remain invested all the time.
- We are long-term owners of businesses, as opposed to speculators on the near-term trend of stock prices.
- Declines in the mainstream equity market, though frequent and sometimes quite significant, have always been surmounted, as America's most consistently successful companies ceaselessly innovate.
- Long-term investment success most reliably depends on making a plan and acting continuously on that plan.
- An investment policy based on anticipating (or reacting to) current economic, financial, or political events/trends most often fails in the long run.
- The most important element in the success of an investment plan is the investor's own behavior. To quote noted investor and writer Morgan Housel, "Doing well with money has a little to do with how smart you are and a lot to do with how you behave." And as another well-known investor, Benjamin Graham, said: "The investor's chief problem—and even his worst enemy—is likely to be himself."

Please note that The Kelly Group is offering a course the Spring at Harford Community College called "Mind Over Money: The Role of Behavior in Financial Success". The 2-hour, one session course will be held Wednesday, May 1 at 6 pm. For instructions on how to register, visit **https://www.harford.edu/academics/noncredit-registration/index.php**. For further information on this and other financial courses offered by The Kelly Group, or for information about our services, feel free to contact us at 410-893-0560 or **info@kellyria.com.** And check out our website at kellyria.com.

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