

# Beyond the Bull Market: The Value of Advice

If there's one thing that the pandemic has taught us, it's to expect the unexpected. The financial markets hit all-time highs to start the year, despite what has been happening on the ground. As such, we wanted to provide some thoughts on the value of professional advice in investing.

As markets go up, as they have largely done over the past year, many stocks will invariably be winners. This has helped to drive confidence in many investors. While investing during bull market times may appear to be a winning strategy, we mustn't forget that markets are cyclical in nature.

Seasoned investing involves a variety of elements that may easily be overlooked during these good times. Most important, investors should understand what they are investing in. Over recent months, with the rise in attention to low-cost and commission-free platforms, many investors have found success in simply trading on momentum and noise, without understanding the fundamentals of their investments. In times like these, the prices of securities often become stretched, but over the long run the markets will generally correct themselves to reflect the underlying value of the companies traded.

A recent study looked at the trading activity on a popular commission-free platform over the past two years. It showed that the top 0.5 percent of stocks bought each day experienced return reversals, or losses, of approximately 5 percent, on average, over the following month. Why did this happen? According to the study, many of these investors were inexperienced and tended to chase performance. Furthermore, the commission-free nature of the platform encouraged trading, which led to speculative behavior.<sup>1</sup>

Seasoned portfolio management also involves managing risk. As advisors, we use techniques such as asset allocation, diversification, and rebalancing, while taking into account an investor's risk tolerance and time horizon, to adjust and help protect portfolios throughout the inevitable market cycles. Our focus is to help protect and generate wealth over the longer term, recognizing that most investors will be investing over multiple market cycles.

What will happen during a market downturn, a time in which some investors may panic or make rash decisions? Professional advice helps to manage emotions during these critical times — something that many investors may find challenging. A study that tracked investors over a longer period of time showed that self-directed investors significantly underperformed the markets over time, likely because they acted on emotion. The study concluded that investors often traded too frequently, having a tendency to sell winning investments more quickly and hold on to losing investments in the hope that they would regain their losses.<sup>2</sup> As Benjamin Graham once said: "The investor's chief problem — and even his worst enemy — is likely to be himself."

While there is value in professional advice and support when investing across the market cycles, wealth management goes well beyond investing. This may include tax minimization opportunities, planning for retirement, and using insurance or estate planning to maximize wealth. We are here to help position your overall wealth plan for the longer term and help you achieve your financial goals, while taking on the management of your investments so that you can focus on what is important to you.

1. [papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3715077](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3715077); 2. [https://faculty.haas.berkeley.edu/odean/Papers%20current%20versions/Individual\\_Investor\\_Performance\\_Final.pdf](https://faculty.haas.berkeley.edu/odean/Papers%20current%20versions/Individual_Investor_Performance_Final.pdf)

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**Richmond Wealth Advisory**  
**BMO Nesbitt Burns**

**Bonnie Richmond, BSW**  
Investment Advisor,  
Wealth Advisor  
416-365-6081  
[Bonnie.Richmond@nbpcd.com](mailto:Bonnie.Richmond@nbpcd.com)

**BMO Nesbitt Burns Inc.**  
First Canadian Place  
100 King St. W., 38th Floor  
Toronto, Ontario M5X 1H3  
Toll Free: 1-800-567-3006  
Fax: 416-359-4941  
[www.RichmondWealthAdvisory.com](http://www.RichmondWealthAdvisory.com)



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