

Date - 05/11/2010

QUESTION: I think it is highly unlikely that I will want to "liquidate my positions" in mutual funds. I feel it was not in my best interests last year.

Investor

ANSWER: Of course we will do whatever you direct. That being said, once you enter retirement, any losses that you accrue in your account cannot be replaced, particularly if you are withdrawing money on a regular basis. You lose a lot of your flexibility to access cash should the market have a significant downturn.

As it turned out, the stock market did come back after March 2009. However, from November 2008 onward, there was no certainty whatsoever that our economy - and the global economy - would recover. In fact, the probability of a total cascading economic failure was very, very high at that point. If that had occurred, the stock market could have gone to zero!! Then there would be no retirement account! I don't think you or anyone else would want to put yourself in that kind of position.

We did not exit or reenter the market very well during this period 2008-2009. I think that we have remedied that problem (of course, we can never be certain). The point is that if you get out early, you can live to recover your losses another day. If you 'ride out' market declines, it is much more difficult to recover your losses, particularly if there is a catastrophic collapse in the global economic system.