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Advisers see opportunities in stock market's turmoil

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With talk of Wall Street bailouts and company collapses dominating the news, ordinary investors might be cringing as they watch the stock market fall and rise -- sometimes dramatically.

But according to local financial planners, now is not the time to panic.

Rather, the planners say, the turmoil offers the perfect opportunity for investors to look at where their money is, see what their goals are and decide exactly how much risk they are willing to take now and in the future.

"It's times like these where it's a gut check for investors," said Jeff Lee, a financial adviser with Lee Financial Associates in Ellicott City. "I've definitely seen a shift in people's risk tolerance."

Although it might sound surprising, the planners said now is actually not a bad time to get into the market, especially for young people just starting to invest.

Thomas Cornellier, a financial planner and partner in the Ellicott City-based Wooden-Cornellier Group, said young people who are steadily putting money in a 401K are likely picking up stock in good companies at bargain prices.

"We relate it to going to your favorite clothing store and seeing a 20 to 25 percent discount on everything," he said. "You want to try to bring home as much of that as you possibly can."

Lee predicted the market will remain down for the next six months to a year, which is fine for anyone who plans to keep their money in for at least the next five years.

"Unfortunately people with investments that have a shorter time horizon than five years, it's going to be tough for them," Lee said. "They're not going to have as much time to recover."

Cornellier said he recommends that people getting close to retirement have some cash on hand. That might come in the form of pension payments or income from rental properties.

Ideally, those near retirement already have more conservative portfolios, or at least became more conservative with their investments when the market started having problems earlier this year, planners said.

With all of the volatility in stock prices, it may be a good time to talk with a financial adviser about rebalancing your portfolio, said J. Michael Martin, chief investment officer wof Financial Advantage Inc., in Columbia.

In general, Martin advised against owning any index funds at this point, as they track the market as a whole and include both strong and weak companies. But getting completely out of stocks is not a great idea, he added, as the potential for returns is much lower in other investments.

"Don't be completely out of stocks, just be more selective," Martin said. If 60 percent of a portfolio is in stocks, he said, it might make sense to trim it to 30 percent for the time being.

Lee warned that investors should be careful not to make any drastic changes without professional advice, including pulling money out of 401Ks or IRAs. "The markets go up and down. You don't want to get out at the low," he said.

People who are feeling nervous about their investments could move money into more conservative bonds or keep it in a money market account for the short term, Cornellier said.

The financial advisers said risk is a fact of life with something as unpredictable as the stock market. If the portfolio investors set up is riskier than investors want, planners said, they should change it to something with which they are more comfortable.

The good news is that there are still many strong companies, and those who invest their money and are willing to let it grow should be doing well in future years.

"The markets are resilient. It's the greatest country in the world," Lee said. "Things will rebound eventually."

Some tips from local financial planners:

If you plan to have your money in the market for at least the next five years, hold steady. The markets will recover.

It's a good time for young investors to get into the market, as they could pick up stock in good companies at bargain prices.

Those close to retirement should have less money in the stock market and more in conservative investments, such as bonds. They should also consider having some cash on hand or a steady source of income that does not come from stocks, such as pension payments or money from rental properties.

Now is a good time to talk to a financial planner about rebalancing your portfolio and re-evaluating how much risk you are willing to handle.