

Riding the Roller Coaster

Local financial experts advise looking past current fluctuations in the securities market

By David Dadurka
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During the past six months, retired teacher Linda Twyman has lost \$15,000 in the stock market.

"My first reaction was 'Oh my God, what are we going to do,'" said the 54-year-old Stanardsville resident.

But her husband, a retired business teacher, and their financial adviser calmed her fears, Twyman said.

"It was painful, but selling all our stocks didn't cross our minds," she said. "I think that's sort of a panic reaction."

But some local investors have done exactly that as stock prices fell sharply this year, area financial advisers said.

"I haven't seen widespread exiting of the market," said Rocky Taylor, vice president and branch manager of Scott & Stringfellow's Charlottesville office. "But I had one client last week when the market went down 490 points who got fed up and sold everything. The next day it was up 500 points, which probably added to the client's aggravation."

While the turbulence in the stock market has rattled investors, local financial advisers have been telling clients to make sure they have diversified and balanced investments.

The Dow Jones industrials slid 193 points Friday, their second consecutive triple-digit loss. The steep downturn capped what has been now 11 weeks of heavy selling, during which the Dow has suffered seven triple-digit losing streaks.

Bob Schneller, senior vice president for Wachovia Securities in Charlottesville, said the stock market dive has been underway since May 2000. He added that the market made similar drops in 1962 and 1987.

"The market dropped 28 percent over 28 weeks in 1962, and in 1987 it dropped 34 percent over eight weeks," Schneller said. "We are talking about a crisis of confidence. I've been in this business for 25 years and it's one of the tougher markets."

Advisers said that while the markets are taking a beating, opportunities to buy stocks that perform well and are selling at bargain prices are out there.

Kevin Lake, investment representative with Edward Jones in Albemarle County, likens remaining the stock market to exercising.

“I work out at the gym and sometimes it hurts,” he said. “But I know that in the long run I’m going to live longer and be healthier.”

Lake believes investors who are in the market for the long term will benefit despite the current bear market.

In 1973-74, the S&P 500 lost 50 percent of its value, taking years to recover, said David Barrett-Johnson, a certified financial planner with Lambert, Barrett-Johnson & Associates of Charlottesville.

“It’s going to take time to repair this, but it will take less time than it did then because I think the public still believes that stocks offer a more valuable return,” he said.

Barrett-Johnson said investors have been eyeing less risk investments such as bonds, but cautions that bonds may suffer if the Federal Reserve raises interest rates.

Bonds react negative to inflation and may lose value if interest rates rise, he said.

Schneller agreed.

“I think people have rushed into the bond market because it is safer and they are bond-heavy,” he said.

Lake also cautions investors on how much they put into bonds, and said the rule of thumb is not to be “overweighted” in any single type of asset.

Regardless of bonds’ lower yield, Albemarle resident Ed Lord has taken more interest in them since the market has soured.

Lord, who belongs to an investment group at the Senior Center in Albemarle, said he has lost thousands in the stock market over the past several months.

“Over the long run, the return [on bonds] isn’t as high as stocks,” he admitted. “But right now, it’s not a matter of how much you gain, it’s how much loss you can avoid.”