



Pioneer Bank & Trust

Trust & Investments

The Best For The West!

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Ask a Trust Officer: Help Me Off the Roller Coaster!

DEAR TRUST OFFICER: I was so pleased last October, as the Dow Jones Industrial Average was setting an all-time high. I felt confident that there was nothing but smooth sailing ahead for my portfolio. Now here we are less than four months later, and everyone is worrying about a recession! The Federal Reserve Board dropped interest rates by three-quarters of a percentage point after an emergency meeting, and Congress is talking about tax rebates again. I like roller coasters as much as the next person, but this is too much! Can you help?

—WHIPLASHED INVESTOR

DEAR WHIPLASHED: I wish that I could take all the risks out of investing for you. That's not possible, though there are proven techniques to reduce risk. Market volatility has indeed been above normal lately, and there are several theories for that. The most publicized is that problems in the housing sector may have the potential to drag the entire economy into recession. Sales of new homes fell 26% in 2007, the biggest annual decline since the Commerce Department began tracking this statistic in 1963. Coupled with the drop in home values in many parts of the country, we are in uncharted economic territory here.

To help relieve yourself of worry over your portfolio, add a dose of professional oversight. Ask us about our investment management account.

Although the economy is under stress, unemployment remains low, and not all sectors have been adversely affected. The recent drop in stock prices has brought price-earnings ratios for many issues closer to historical norms. Some stocks are selling for prices that, in a few years, will be thought to have been tremendous bargains.

The question for investors is, which stocks are those?

We generally favor the "don't-put-all-your-eggs-in-one-basket" approach. We promote disciplined portfolio diversification through asset allocation planning. With a balanced mixture of asset classes, risk can be brought down to tolerable levels, while some upside potential for the future is retained.

Do you have a question concerning wealth management or trusts? Send your inquiry to trust@pioneerbankandtrust.com

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