January 2011

Dear Clients and Friends:

Did you know that when you're sitting on a whole bunch of cash, that's "market timing"?

Some of you are probably thinking, "What cash?" I understand many of us are strapped for money in these tough times. However, there is a fair percentage of the population, and way too many of my clients, who are hoarding cash in banks and money markets.

Modern portfolio theory tells us to avoid market timing. Most people think of "market timing" as deciding when to leave one type of investment and move to another. Cash accounts aren't really investments, they're savings. So you might think holding on to a large amount of cash, more than you need for sensible reserves, isn't really timing but just playing a "wait and see" game.

Sorry, that's clearly market timing. Keeping cash idle means you expect to see some signs in the future telling you it's the right time to put your money back to work. But guess what? When you do finally recognize those signs and develop enough confidence to invest your funds, it will be too late. By missing the early stages of a rally, you will lose out on much of the profit that other investors are enjoying.

So remember, the smart strategy is to stay fully invested at all times. This maximizes your chances for success. Limit your cash reserves to the amount you expect to spend in the next six to twelve months, and invest the rest.

If you're worried about inflation, you'll see there's an extra dollop of wisdom in this advice! Best wishes for a profitable New Year ….

Regards,

Chuck

Charles M. Shackelford