



Fear of Pain

Agliophobia, the fear of pain, is in the air. The pain investors felt in 2008 may have diminished somewhat, but in place of that pain is now a fear of having to feel pain again, that we're not out of the woods yet, and that another 2002 or 2008 could be right around the corner. This fear then translates into deeper fears of having to work longer or running out of money. So what can we do to lessen or perhaps eliminate our fear?

One way to reduce our fear is to try and forecast the future, or hire professionals who we think can do it for us. Yet, studies show that when intuition and instinct play a role in investment decisions our portfolios suffer. For example, many investors escaped the carnage of the first quarter of 2009 only to return their cash to the stock market at a much higher level than the level at which they exited. In other words, they sold low (although not the lowest point) and are now buying high.



Accept the Things that Can't Be Changed

Morningstar reports that almost all mutual fund investors sacrifice returns because they lack the discipline to stay invested. Because they either cash in during market downturns, or move their money to another fund, the investors' actual performance is lower than the mutual fund's published performance numbers. Why do investors change course? Fear and the mistaken belief that someone (me, your neighbor, your boss) knows better. Websites such as Morningstar offer detailed information on thousands of mutual funds, but the ratings system is all hindsight, not foresight, and should not be used to speculate on the next big performer.

So if you can't predict the future and you shouldn't chase performance, how can you manage your fear? One strategy is to reduce or eliminate the amount of time you spend watching the market or reading financial news. Investors who check their portfolios quarterly instead of daily tend to make more money.

Capital Loss Carryforward



After you have completed your taxes, make sure your Abacus advisor knows your capital loss carryforward amount. Our highly sophisticated trading and rebalancing software stores your carryforward and tax-bracket information, all of which helps us minimize your portfolio's taxable gains and income.

ROTH IRA Conversions

Our Q1 newsletter detailed some of the reasons to execute a ROTH IRA conversion. This is a reminder to consider a partial or full ROTH conversion this year. In certain situations, someone who converts to a ROTH might increase their income during retirement by more than 25 percent.

P.S. My Favorite New Website

We can probably all use a vacation during this stressful economic time. AwardWallet.com is a free website that tracks all of your airline miles in one place. After about 15 minutes of setting up my account, I discovered some miles that were about to expire with one airline, and that I had enough miles with another airline for a free airline ticket. My trip is already booked.



Wishing you a spring filled with peace,

Handwritten signature of Barrett Porter in blue ink.

Barrett Porter, CFP

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