



Expect Turbulence

Back in my other life I flew Airbus 300s for the departed Eastern Airlines. While they may appear to be arrogant and cocky, professional pilots have a great deal of concern about their passengers. They would willingly die to protect them. Keeping them safe, comfortable, happy and stress free is mission one!

Turbulence is a fact of life. It makes passengers cranky. So, we spent a fair amount of time avoiding it. But, sometimes it must be simply endured. All we could do, short of staying home, was to re-assure passengers. No airline could ever guarantee you that you won't have an occasional bump in your journey. Few trips would ever be completed if the pilot turned around at the first bump. If we waited for a guarantee of smooth air we would never leave the terminal.

Pilots expect occasional turbulence. After a few thousand hours in the air, they know it goes with the territory. Occasionally the air is bumpy. What's the big deal? The airplane is inherently stable. When bumped it tends to return to its former attitude. The airplane is so strong that several commercial airliners have withstood five to seven times the G forces that they were designed for.

So, when the plane is bumping along, the pilot's primary concern is usually trying not to spill his coffee. He doesn't enjoy the turbulence, but besides a concern for his passenger comfort, he isn't worried.

But, on the other side of the cockpit door things may be different. Most of the experienced passengers will sleep right through it. But, a few passengers see a different world. There they are, trapped in a big aluminum tube, hurtling along at about 500 miles an hour seven miles above the ground! At the first sign of turbulence, anxious glances are quickly followed by wide eyes, and white knuckles. This thing is out of control! It's going down! The pilot must be insane! Why doesn't he get us on the ground? Oh, how I wish I had never seen an airplane!

That experience was good training to be an investment advisor. Just substitute investment advisor for pilot, investor for passenger, and market decline for turbulence.

As an investment advisor, I expect an occasional market downturn. It's built right into the system. I don't like it. I do every thing I can to avoid it. I try to make it as small as possible. But, sometimes I just have to live with it. Market downturns are not the fun part, but they are business as usual in the financial arena.

We endured the Crash of 87, the Crash of 89, The Tech Wreck of 2000, and the near disaster of 2008. Markets endured, recovered, and went onto new highs.

Our economy is incredibly strong, stable and resilient. But, markets must go down occasionally in order to function. There is no way to anticipate when that might happen. We must accept a measured amount of risk (the market fluctuations) in order to earn the extra returns necessary to accomplish our life goals.



Many Investors are not comfortable with market volatility. They feel out of control, and imagine all the worst possible outcomes. Their version of safety is to chuck it all and seek refuge in cash. Of course, that's the classic buy high, sell low, and wonder why we don't make money in the stock market behavior. Investors that panic and follow the herd are unlikely to succeed It's a recipe for failure.

The world isn't going to end. This baby isn't going down, and this ship isn't coming apart. You must be on board in order to reach your destination.

Excerpted from "A 30,000 Foot View", Frank Armstrong's contribution to *The New Book of Investing Rules*, which will be published by Harriman House in Autumn 2017.