

AAll Survey: Steps Investors Have Taken To Protect Themselves From the Next Financial Downturn

This week the “most hated bull market in history” also becomes the longest, by most measures (for a counter to this argument, see the **blog post** from Jeffrey Hirsch of the Stock Trader’s Almanac). On August 22, barring a meltdown in the S&P 500, the index will have gone 3,453 days without a decline of 20% or more, dating back to the index’s bear-market low on March 9, 2009, in the midst of the worst global financial catastrophe since the Great Depression.

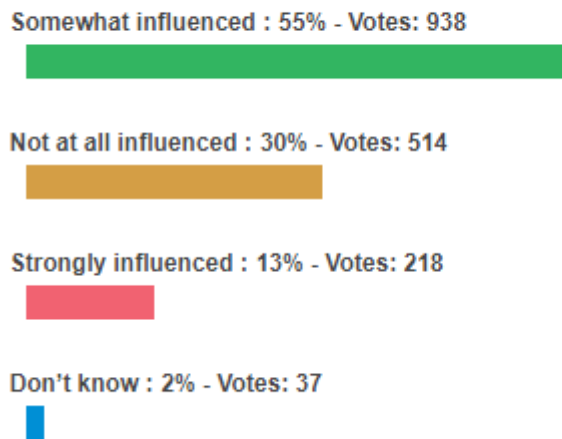
According to the Pew Charitable Trusts, U.S. households lost an average of nearly \$5,800 in income due to reduced economic growth during the financial crisis from September 2008 through the end of 2009. Costs to the federal government due to its interventions to mitigate the financial crisis amounted to \$2,050, on average, for each U.S. household. Also, the combined peak loss from declining stock and home values totaled nearly \$100,000, on average per U.S. household, during the July 2008 to March 2009 period. From September 2008 to September 2012, there were approximately 4 million completed home foreclosures in the U.S.

AAll Weekly Survey Question

These losses left an indelible mark on many investors. To get an idea of the impact of the “Great Recession,” last week’s survey question asked:

How much are your financial decisions influenced by the Global Financial Crisis of 2008-2009?

How much are your financial decisions influenced by the Global Financial Crisis of 2008–2009?



In all, 1,707 readers participated.

By a slight majority—55%—our readers' financial decisions are somewhat influenced by the financial crisis of 2008–2009.

Nearly a third—30%—say their financial decisions are not at all influenced by the financial crisis.

Only 13% say their financial decisions are strongly influenced by the financial crisis of 2008–2009.

Weekly Special Question

In all, slightly two-thirds of our respondents to last week's survey question say the financial crisis of 2008–2009 has had some impact on their financial decisions. To get a better feel for exactly what those changes may be, last week's special question asked our readers:

What steps have you taken, if any, to make you feel that you will be better protected from the next financial downturn?

In all, we received 386 responses.

Of those responding, nearly 25% say they hold more cash to protect themselves from the next financial downturn.

Another 17% say they have reduced their equity holdings or hold less volatile stocks in the event of another financial downturn.

Nearly 11% say they invest more in fixed-income instruments in case there is another financial meltdown.

Slightly more than 9% say they have implemented a defined investment strategy or set defined buy and sell rules in case there is another severe market downturn.

Almost 9% say they have not made any changes to their portfolio or investment strategy.

Roughly 3% of respondents say they invest more in dividend-paying stocks.

Here is a sampling of the responses we received as to the steps our readers have taken to protect themselves in the event of the next financial downturn:

- “A larger allocation to non-correlated stock market assets such as CDs and bonds.”
- “A little more cash in my ‘short-term bucket.’”
- “As particular sectors (e.g., tech) rise in value, I diversify into other sectors that are better values.”
- “Broadly diversified in domestic and foreign stocks in all size caps and industrial sectors.”
- “Delayed retirement, learned to invest in stocks instead of funds, read about investing and financial matters.”
- “Ditched my financial broker/adviser who recommended funds from a small group of issuers. Became a DIY investor with access to hundreds of quality mutual funds and ETFs. Significantly increased my use of index funds”
- “Have not changed anything. Continue to hold quality dividend-paying stocks and quality bonds.”
- “I adopted criteria to pick companies that will perform regardless of what happens in the economy.”
- “I learned the most important protection required was protection from my own emotions in reacting to the daily bad news.”

Everybody has an opinion! Why not give us yours? Participate in our weekly member poll, updated every Monday, and see the results online at www.aaii.com/memberquestion.

