



NEWS

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Getting Back In To the Stock Market

Five-Time Book Author, Richard Ferri, Advocates a Low Cost Strategy Using Index Funds and ETFs

Troy, Mich. (June 17, 2009) – After a 40 percent meltdown during 2008 followed by another 25 percent plunge in prices through March, the stock market finally seems to be getting its footing back. As of this writing, stocks have gained back all they lost in 2009, and are starting to make headway gaining back the losses from 2008. Upbeat reports on manufacturing, construction and consumer spending are adding to hopes of an economic recovery. After the heartbreak of 2008, says five-time book author and fee-only independent financial advisor Richard A. Ferri, the market rebound over the last three months is encouraging. “A growing sense of economic optimism has boosted the market from its historic sell off. If you sold stocks or stock mutual funds over the past year because your portfolio was hemorrhaging money and you wanted to stop the bleeding, the bleeding might well be over,” said Ferri, the Chartered Financial Advisor (CFA®) who as founder and CEO runs Troy, Mich.-based Portfolio Solutions, LLC. “Now you have two important decisions: When do you get back in, and how do you do it?”

According to Ferri, investors have two basic options. They can dive straight back in now with the entire amount that they want to have in stocks over the long-term. This method is advisable for anyone who was lucky enough to have sold at higher prices than the point they are reentering. Ferri points out

that there is no ideal time to get back in, and it is foolish to think that investors can time the market. Just get back in with a full allocation and be grateful for savings made during the decline.

The second method is to tiptoe back into stocks a little at a time. This method may work better for people who sold at prices lower than where the market is now. “I recommend investing one quarter of your expected total allocation to stocks now, and then feed in the rest in each quarter over the next year or two,” Ferri says.

If investors sold a significant portion of their stock portfolio during the past year, it’s likely that their allocation in stocks was higher than their ability to handle the risk. This time around, Ferri suggests adjusting the final stock allocation downward. For example, if the investor started 2008 with a 60 percent allocation and sold off most of that during the turmoil, they should consider a 40 percent allocation to stocks as a maximum allocation. A lower allocation to stocks will help them stay calm and committed during the next market downturn, whenever it occurs.

Lastly, Ferri recommends index funds or exchange-traded funds (ETFs) rather than individual stocks or actively managed mutual funds. Index funds and ETFs are well diversified and extremely low cost compared to other portfolio strategies. Plus, they relieve investors of having to guess which mutual funds or which stocks to buy. And, Ferri adds: “Costs are the one thing you can control – and not just investment costs but the costs associated with obtaining professional advice. You should be very tight-fisted in this environment.”

“Stocks are an integral part of a complete portfolio. Don’t leave them out. If you sold all or most of your stocks over the past year, it is time to think about getting back in,” Ferri says.

About Portfolio Solutions, LLC

Portfolio Solutions, LLC is an independent fee-only investment advisor founded in 1999 that specializes in low-cost investment management for individual investors and small institutions across the country. The firm is registered and regulated by the U.S. Securities and Exchange Commission (SEC). Portfolio Solutions is authorized to conduct business in 50 states and in all U.S. territories. Mr. Ferri is the author of five books on tight-fisted investing. A long-time media resource, most recently his company was profiled in *Research* magazine, *Wall Street Journal*, *The New York Times*. For more information visit www.portfoliosolutions.com.