

PERSONAL FINANCE NOVEMBER 16, 2016 10:07 AM

A Thanksgiving for the ages



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Let's reflect for a moment on the 102 passengers who, in 1620, suffered through a year-long journey, exposed to the elements and contagious diseases which claimed half of their population in the hope they might find freedom to practice their faith and the promise of prosperity and land ownership in the New World.

It reminds us that achievement of one's dreams comes through taking risks, working hard, a fertile environment and enduring spirit.

As we move through an historic election process, we are reminded that America has a functioning democracy—one that ebbs and flows based on the voice of the citizens across the country.

I was speaking to my daughter, who is taking a class in school called "America Decides." The class is aimed at teaching our youth this ebbing process of growth where everyone has a part.

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We need to be thankful that this exists. I contend that this process is what has led to the advances in sciences, medicine and the prosperity of all citizens. The failure of one policy gives rise to a replacement that is better.

This doesn't happen in most countries of the world. The freedoms to explore, fail and state your view is unique. Just image the treatment demonstrators against the election results would experience if they were in North Korea!

Most professionals in the financial services would tell you that the markets don't like uncertainty and surprises. That being said, once a direction is known, the capital markets are resilient. We saw that with the election results.

Leading up to the election, most people and the markets were confident that Hillary Clinton would win. However, as results from the East Coast started to be announced, uncertainty began to increase as it appeared Donald Trump might do better than the pundits had thought. As time passed, Trump began to win more states. After winning Ohio and North Carolina, some began to think he could win.

At that point, futures contracts on the Dow Jones Industrial Average were down nearly 700 points, reflecting a change in what was supposed to happen. Many feared a "Brexit II" type of market event should Trump win, a reference to the British vote in June to exit the European Union.

However, that was not to be. The day after the election, the Dow Jones Industrial Average was positive—really positive — gaining 272 points that day, 204 points on Thursday and 39 points on Friday. That's 2.9 percent in three days—a far cry from the 4.5 percent loss generated from events across the pond in late June.

More review of the June Brexit saga further illustrates the point. The following three days saw 200-plus point gains in the Dow, erasing the drop of the unknown and its fear of the Brexit vote.

Markets are resilient and absorb the change of course. Possibilities and new light shine on industries that may grow and become profitable. We saw this after the election in the healthcare, finance, and defense sectors.

So what should you do with your finances in the face of change?

- First, understand that if you become emotionally overcharged, your intellectual ability to rationalize events and facts goes away. Human brains are built this way.

The only thing you can do is realize you are in this state.

- Second, have faith in a diversified strategy that looks for opportunities. Remember that changes by their very nature create new opportunities. Take time to analyze them and see if they meet your long-term goals.

- Finally, stay disciplined. This is easier said than done. You might be shell-shocked about events that either did or didn't go as you wished, hoped or expected. Elections are major events, but they don't change the course of direction abruptly and quickly.

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