Long view pays off for successful investor

Now that the market has languished for what seems an interminable four months or so, the question on many people's minds is "Will the market ever again reach new highs?"

I would like to propose that the Dow can reasonably be expected to cross the 30,000 mark within the first decade of this century. Simple mathematics dictates that this rise will occur if stocks perform at their 72-year-average rate of 11 percent return. What does this mean for stock investors?

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Real Money

Understanding the long-term logic of the stock market is critical in achieving financial success for you and your family. To succeed means having a considerable portion of your portfolio in the stock market. In order to build a successful portfolio, one needs to know where to look to take advantage of the spectacular opportunities available. This knowledge can also help bolster the investor's sense of security, as short-term stock-market fluctuations occur.

A volatile stock market can create heartburn and anxiety for all investors. For the last 10 years, the market has always looked too expensive, especially when compared to traditional yardsticks of how much one should pay for reasonably priced shares in a company. It is worth considering, for a moment, how real estate or a really good piece of protein at the local organic-food store has seemed equally outrageous with respect to reasonable product pricing. We need to acknowledge that for the truly long-term investor this seeming disparity will not significantly impact investment profits over an extended period of time. Long-term investing means 10 years, not 10 months.

Short-term fluctuations in stock prices provide buying opportunities in companies such as AT&T, Johnson and Johnson and Microsoft. We do face problems in the markets, such as inflation, unrealistic expectations of high returns and super-inflated prices of companies with no earnings; however, these issues will eventually be resolved and the economy will move forward, stimulated by increasingly advanced technology, which will translate into ever greater productivity. For long-term investors, the market's downside is not something to fear. It should be viewed as an opportunity to buy into future profits. Let the market's mathematics be your ally for success.

What are some of the dynamic factors one should look for when deciding whether or not to invest in the stock market? The first is demographics. People born between 1945 and 1964, the "baby boomers," represent the largest potential block of new investment dollars. At 80 million people strong, baby boomers are currently accumulating wealth for their retirement, and they stand to inherit, over the next 15 years, approximately $10 trillion.

This surge of wealth and savings potential means that mass purchases of durable goods and ample funneling of savings dollars into the stock market will fuel our economy and stock market for years to come. International demand for U.S.-manufactured goods, services and entertainment

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should also allow growth to continue, even if domestic demand slows down. Another crucial factor for making good investing decisions is the ability to discern if basic economic conditions support or inhibit the markets.

We have been incredibly fortunate, over the last two decades, to witness a superb performance on the part of U.S. monetary authorities, the Federal Reserve Board, in leading an economy that has grown neither too fast nor too slow. What does this mean? An economy that grows too fast has inflationary pressures: too much money chasing too few goods/services. These pressures push prices higher, and the Federal Reserve Board responds by raising interest rates, which is bad news for people who want to borrow money to enjoy higher rates of consumption. Businesses that want to expand suffer as well because they must pay more for the money needed to expand. If the Federal Reserve Board lowers interest rates, money becomes easier to acquire: people borrow more in order to spend more, which, in turn, stimulates the economy.

Stock-market advisers and investors hang on every utterance of Alan Greenspan, the current chairman of the Federal Reserve Board. His views are seen as portents of the direction interest rates will take. Since interest rates directly impact the stock market's future direction, by paying attention to Greenspan's economic prognoses investors think they can gain insight into the short-term action of the market. This makes it easier to decide which stocks to purchase with funds earmarked for long-term savings.

Unfortunately, not even Greenspan has identified the elusive ingredient for guaranteed success in when to buy stock. One thing is certain: Now is the time to dedicate your time and money, two of your most precious resources, to investing in the stock market. Investing in stocks is the surest way to participate in the burgeoning economy, which, in retrospect, may enable America of the 20th and 21st centuries to outstrip, in many ways, those previous economic empires that produced stupendous cultural and historical legacies.

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