September 17, 2003

Expectations-we all have them

From our early childhood, we've all had expectations: whether it was waking up in anticipation of what Santa had under the tree or the expectation that we would get a hit our first time at bat in Little League. It's great to look forward with anticipation and *great expectations*. But, what if our expectations are unrealistic? Then what? The greater the gap between expectations and experience, the greater the anxiety. The greater the anxiety, the greater the chance that we will make emotion-based decisions. A dating illustration makes the point. Play along here. A teenage guy calls a teenage girl to ask her to the prom. The girl isn't home, but her little sister says she'll have big sis call him back. High expectations cause the boy to wait by the phone. The longer he waits the more his emotions get the best of him: *She doesn't want to go with me. She thinks I'm not good enough for her. I wish I'd never called. No one would want to go out with me.* Time makes the "expectation gap" widen. The anxiety increases. The guy gets mad and depressed. All the while, unbeknownst to him, little sis never gave the message to big sis…***From time to time, all of us are susceptible to making decisions based on what we don't know.***

In the '90s our expectations of the stock market grew unrealistic. Alan Greenspan spoke of *irrational exuberance*. As we proceeded through 2000, 2001 and 2002, irrational exuberance gave way to *irrational pessimism.* And when expectations weren't met, what did many people do? They bailed out because the gap between expectations and experience widened, anxiety increased, anxiety gave way to emotion-based decision making. What can we control in this equation? We cannot control the market, so we <u>must</u> control our expectations. We can help you with this <u>discipline</u>, even now as we are beginning to experience a market recovery. As we've seen, markets can move quickly. Many who bailed out in the past 3 years still aren't back in, and have missed a major market move. Timing doesn't work! We hope the market doesn't go straight up from here. Were that to happen, many investors would suffer short-term memory loss and go right back to unrealistic expectations. Adjusting expectations downward leads to a more enjoyable "ride" and avoids some of the emotion-based decisions-the kind that can shipwreck what otherwise might have been a sound course for a long-range plan.

We look forward to visiting with you soon.

Sincerely,

Daniel O'Corrigan

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