

# summaries



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## INVESTING IS NOT SUPPOSED TO BE FUN

After a year of pandemic eating and drinking, my Google search history is filled with queries such as, “how to lose 20 lbs. in two weeks, no exercise, no diet,” and, “does drinking apple cider vinegar work for weight loss?” The idea of a magic bullet – an easy diet, or a shake that I could drink that would make the pounds melt off - is far more appealing than resigning myself to the fact that my days of unlimited Taco Bell and counting walking the dog around the block as exercise are over. Since I don’t want to buy a new work wardrobe, I’m watching what I eat, and committing to exercising on a regular basis. It’s not fun, or quick, but experience shows it works for most people, myself included.

With the recent meteoric rise of the “Reddit Stocks” – and GameStop in particular – a number of friends, who up until this point demonstrated no interest in investing or the stock market, have reached out, looking for investment advice and stock tips. Unfortunately, most of my friends did not like the advice I gave them, which is the same advice we give our clients, and the backbone of the investment strategy we use for clients. “If you have a diversified portfolio of stocks, the average annual return is 9%. That 9% return COMPOUNDS each year!” I continued eagerly to my now bored friends, “If you invested today, in about 8 years, you would DOUBLE your money!” However, when a much

publicized stock such as GameStop doubles in price in one day (January 26th), eight years seems like a long time to wait to double your money. We are now starting to see the aftermath of the GameStop bet unfold. A year ago the stock traded at about \$3.85 per share based on fundamentals such as declining sales and closing stores. In late January the price shot up suddenly because an investment group on Reddit (an internet forum) convinced its members to buy the stock. The stock reached a high of \$483 during the day on January 28th. As of this writing GameStop is trading around \$60 per share. Some investors made huge gains. Some investors had huge paper gains which, if not sold near the peak, have slowly dwindled or have become losses. And some investors are now looking at huge losses, because they both bought and sold the stock too late. At this point it has become apparent the GameStop trade is starting to look like The Cabbage Soup Diet, – certainly it worked for some, but most people ended up right back where they started, or worse.

Our financial planning work and investment strategy does not involve any get rich quick schemes. It requires discipline, from both our clients (saving and investing their money) and Sigma (avoiding “magic bullet” products like hedge funds and credit default swaps). Investing for the long term demands patience and resilience regardless of the market environment.

local independent personal accessible  
interactive creative local independent personal  
knowledgeable thoughtful ethical experienced

Whether it is years like 2018, where the market muddled along ending the year modestly negative, or 2020, where fortitude not to sell out in panic at the market bottom in March led to an annual return of nearly 18% on the S&P 500. Over the past 45 years, Sigma’s “boring”, well-disciplined investment

strategy has served our clients well – enabling clients to retire comfortably, purchase second homes, take vacations, and gift to their children and charities. It’s not fun or exciting, but it does work.

**Amanda E. Lehnert, CFP®**

Disclosure: The views in this publication are as of February 2021 and are for informational purposes only and do not represent any recommendation of any particular security or strategy and should not be considered investment advice. This publication is prepared for educational purposes and the information presented has been gathered from sources believed to be reliable.

**Please remember to contact Sigma Investment Counselors if there are any changes in your financial situation or investment objectives**