Article 42

WORK & **MONEY**, MUTUAL FUNDS QUARTELY
Step Lightly
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Financial advisers have a message for queasy mutual-fund investors: This, too, shall pass.

Amid wild stock-market swings and invigorated uncertainty, many industry experts see plenty of reasons to sell your mutual funds. A down market just isn't one of them.

They counsel that when many amateurs, and some professionals, try to time the market, they end up chasing it - buying high and selling low.

"If you're going to buy a car and suddenly the price doubles, that would not make you want to run out and buy it. Yet that is how many people view stocks," says Russel Kinnel, equity analyst for Morningstar Inc., a Chicago firm that tracks mutual funds.

With a record 37.4 percent of US households owning mutual funds - and with a declining stock market hobbling those funds - questions about buying and selling funds have moved from corporate board rooms to corner coffee shops.

Trying to hit a moving target

Sure you want to buy when the market tanks and sell when it peaks, but it's tough to hit the mark. Even professionals have a hard time - evidenced by the number of mutual funds in the red.

"It just doesn't happen. If anyone had ever done it, we'd know. They'd own the market," says veteran Miami-based financial planner Harold Evansky, who places his clients' $400 million in mutual funds. "If anyone were consistently right, he'd make Bill Gates's {fortune} look like pocket change."

Since timing the market is nearly impossible, Mr. Evansky counsels investors to hang tight, ignore the daily stock market swings, and remember they likely won't need the fruits of their investments for years.

"Everyone has a long-term horizon - even a 70-year-old retiree," he says.

Where's your horizon?

Money needs to be managed for its intended uses, whether financing the post retirement years - which can last from 15 to 30 years or more - or having the funds needed for a home downpayment next spring.

Make sure you know what your financial needs are.

People who will need their **money** sooner - in fewer than five years - should avoid stock mutual funds, say experts. They could be forced to take losses rather than wait them out.

Evansky says investors who cannot stomach the risk and plan to sell if the market goes down, say, another 10 percent, should get out now.

"I tell them it's better to take your loss now rather than wait and possibly take a bigger loss later," he says.

There's a good chance investors with a buy-and-hold philosophy will fare better than investors who act on daily market swings, says Jeff Schwartz, who oversees investment company services at Ibbotson Associates, a financial research firm.

One dollar invested in the stock market in 1928 would have been worth $826 at the end of August, according to Ibbotson. That's almost 60 times better than the return for investors who zipped into and out of the stock market, missing the 15 best months since 1926, Mr. Schwartz says.

Locking in the loss

When you panic and sell when the market is falling, you lock in the loss. You also open yourself to paying capital gains taxes on any profits.

"If you have a long-term horizon and are investing for retirement, you should be able to sustain these loses. You shouldn't be happy with them. They won't make you comfortable. We're just saying you should expect short-term periods like this," Schwartz says.

Sure it took almost two years for the market to recover from its 30-percent slump in 1987 and 3-1/2 years to rebound from the 43- percent drop of 1973-74, but once investors recouped their **money**, they saw even larger returns.

All that said, it's tough to hang onto your investments when the S&P 500 dips 15 percent in August alone and your portfolio shrinks along with it. It's difficult, but it's also advisable, experts say.

Seven year cycle

"We have corrections like this every seven years. People just forget," says Kurt Brouwer, a Tiburon, Calif., investment adviser who manages $500 million dollars for clients, placing it in mutual funds. "This is not the time to make significant changes in your portfolio any more than the time to make significant changes in your life is when you are under pressure and distraught."

Instead, investment advisers recommend, make sure your portfolio has the balance you want - stocks and bonds and cash, small and large companies, growth and value stocks, as well as foreign and domestic holdings. That balance, they caution, depends on your risk tolerance and your timeline for needing the **money**.

"Stop looking at the news every 10 seconds," Evansky says.

PHOTO: Showing woman treading on eggs. PHOTO ILLUSTRATION BY ARI DENISON-STAFF AND ALFREDO SOSA-STAFF CHARTS: 1)Showing Top-Performing Funds. 2) Showing "If you own a mutual fund.. ". 3) Showing influence and on stock markets investments. CHARTS BY WHITNEY DODDS WOODRUFF -