Dear Client:

The election is mere weeks away, and we're noticing an increase in agitation. This letter will give you guidance — and, we hope, assurance — as we approach November 8.

Our nation faces many serious issues, including race relations, domestic and foreign terrorism, climate change, deficit spending, immigration, income inequality, and many other important subjects affecting every aspect of society.

We'll restrict our comments here to investments and personal finance, not because this is more important than other subjects, but because this is our area of expertise.

And if you're like many voters, you get nervous whenever Donald Trump and Hillary Clinton talk about economics and fiscal policy. Indeed, both campaigns are trying hard to convince us that the *other* candidate will cause financial calamity and the stock market to crash.

So what should you do from an investment perspective?

The best strategy: Relax. That's because, as far as your portfolio is concerned, it doesn't matter who wins the election.

This might appear to be a shocking statement, especially considering the tumultuous nature of this campaign season. But in fact, the winner of a presidential election has *never* mattered, as far as the financial markets are concerned. And that's why we say that the election shouldn't cause you to worry about your portfolio.

Let me explain why the election won't impact your portfolio — regardless of who wins. My colleagues and I examined stock market returns since 1948, based on which party controlled the White House, the House of Representatives and the Senate. There are eight possible combinations, and all produced excellent returns, with the S&P 500 Stock Index averaging 8.4 to 18.3 percent per year. Of course past performance does not guarantee future results. (We ignored two combinations that were statistically irrelevant; one never happened and the other occurred only twice.)

It was even better when one party controlled all three chambers: It occurred in 26 years of the past 68 years, and when it did, the average annual return ranged from 14.5 to 18.3 percent. This not only proves that a lopsided government won't destroy your investments, but that there's not much difference between Democrats and Republicans as far as stock market returns are concerned. Take a look at our two nifty charts.

Failure to understand this could have a dramatic impact on your wealth. Investors who are elated by election-night results tend to become overly optimistic, and they often increase their stock-fund holdings accordingly. By the same notion, investors disappointed that their candidate has lost often become pessimistic, causing them to sell their stocks or stock funds. The result: One group starts taking too much risk relative to their situation, while the other suffers lower returns. Both are bad. Both happen every four years.

And both are happening again this year.

According to a June survey of affluent and high-net-worth investors by UBS, three-quarters of those surveyed believe the presidential race will have a dramatic impact on the U.S. economy — regardless of the outcome. As a result, 57 percent say they plan to reallocate their portfolios — and 9 percent already have. Amazingly, 5 percent of investors have *already* sold all their stock investments — even though the election is a month away.

Similar results were found in another survey — this one taken by Harris Poll for Louisville-based Jefferson National: 92 percent said the election will influence their investment decisions before the end of the year.

Think such sentiment is understandable, given the candidates we're dealing with? Well, think again. Surveys taken four years ago — during the last presidential election — got the same results! It's true: In the months leading up to 2012's election, 90 percent of investors said they planned to change their investment strategy by the end of the year, according to a survey back then by Phoenix Marketing International.

Indeed, the 2012 Obama-Romney contest was cited by 39 percent of respondents as the "most significant" factor that would cause them to change their investments. Others said they planned to alter their strategy no matter who won because they believed that both parties would have no choice but to raise taxes and implement other policies that would trigger a decline in the markets.

That didn't happen, of course. The Dow Jones industrial average, which was around 13,000 at the end of 2012, is near an all-time high, well above 18,000.

Sure, we've seen market volatility during the past four years, and we might see more before the year is over. But we can't blame it on the election (or the election's results) — because volatility is a normal occurrence in the stock market.

That's why the best strategy for this year's campaign season is to do what you should always do: Maintain a globally diversified portfolio, focus on your long-term goals (which will long outlive the next president's term), and let us continue to rebalance your portfolio as needed. Yes, our nation faces important issues that demand our attention and resolution. But those issues — and any fear you have that the wrong candidate will be elected — should not cause you to alter how you're managing your money.

And in the meantime, as always, please contact us if you have any questions or concerns.

Regards!

Ric Edelman
Founder and Executive Chairman

P.S. After our new president is elected, and before Inauguration Day, we'll provide you with an analysis of the president-elect's plans for the budget, taxes and fiscal policy. So watch for it in coming months.

P.P.S. If any of your friends or family members are worried about their investments, feel free to forward this email to them. It may help them avoid making an expensive mistake with their investments!