

More Investors Are Shunning Stocks

As the stock market bounces off its 12-year low, many are reassessing everything they once believed about money, investing, and their retirement

By [Christopher Palmeri](#)

Ben McCoy seemed to be doing everything right. After getting married in 2002, he and his wife sat down with a financial planner and invested a fat 20% of their combined salaries in a diversified portfolio of low-cost index funds. Then came the Great Recession.

McCoy's portfolio is down some 40% in the past year. He's holding off on new stock investments and putting his money into his own business ventures, such as writing software for real estate appraisers and a blog about personal finance called [moneysmartlife.com](#). "I feel like the rug got pulled out from under me in the stock market," the 30-year-old software engineer says. "With these investments, I feel like I have more control."

McCoy is hardly alone. Even as the market bounces off its 12-year lows, investors large and small seemed to have soured on stocks. Many are rethinking everything they once believed about money, investing, and their retirement. "I sold most of my stocks," says Saul Leonard, 75, a retired corporate attorney in Los Angeles who helps run a group of wealthy private investors called Tech Coast Angels. "I'm in cash, municipal bonds. This was tough. I thought I was in great clover."

Cash and Real Estate

More than just the expected skittishness during a stock market slide, such attitudes may be a whole new take on investing. "I'm seeing radical changes in people's approaches to money, how they're thinking and feeling about it," says Kathleen Gurney, a Sarasota (Fla.) psychologist who counsels patients about money. One of her clients, who had been a big investor in the stock market, now puts her money into only cash and real estate, such as a second home she owns in Mexico that she rents out. "She says she'll only invest if she can see it and feel it," Gurney explains.

Bob Noble, an architect in San Diego, invests only in privately held green businesses, such as one that installs solar panels on homes. He says he has explained to his wife, who doesn't work, that they may have some lean years, but that the private businesses are the best long-term payoff. "I've seen less value from outside investments than the ones I've built," Noble says. "Our financial strength will most likely come from the businesses we've launched."

For many, the poor performance of the stock market means having to rethink their retirement plans. According a survey late last year by the consulting firm FD International, half of all financial advisers say their clients close to retirement age now plan on working longer. That has been the case for James and Delores Holdgreve, of Reading, Mich. James, a 63-year-old optometrist, thought he had fully retired after selling his practice. Today he works three days a week, driving to the office in a 1996 Toyota Avalon he's repairing rather than replacing.

Focus on what you have

A decade ago the Holdgreaves were told by a financial planner that their portfolio would double in 10 years. Since then it has barely budged. That means deferring, perhaps forever, some things they once hoped to enjoy in their retirement. "We're not buying any condo in Florida," Delores says wistfully. Still, she says, they feel "blessed" with what they do have: a nice house, income from her husband's job.

That's just the right attitude in this market, says Dr. Jack Drescher, a psychiatrist in Manhattan with a lot of wealthy clients. "A lot of people in my practice are people who get 98 on tests and are only preoccupied with the two points they didn't get. Focus on what you have: health, family, a roof over your head. That will save you a lot of anxiety."

For stockbrokers and financial planners, a movement away from stocks creates new challenges. [Financial advisers](#), who in the past might have talked up their investment savvy or the promise of strong returns over time, now must tailor their pitch more subtly.

Late last year, Wachovia Securities ([WFC](#)) launched a Web site called [familyfinancialtalk.com](#) to get families to broach touchy subjects such as estate planning. One suggested conversation starter: "Our friends have been talking a lot lately about housing alternatives their parents are looking at. I wonder what you and Dad are thinking about down the road."

Everybody's Anxious

Theodore Feight, a financial planner in Lansing, Mich., has been gradually preparing his clients for the day he thinks they'll need to increase their stock investments again. Instead of once a quarter, he's now sending his client letters out once a month. He's following up with phone calls to talk about what he feels will be buy signals, such as companies beating earnings expectations. "We're trying to touch them as much as we can," Feight says. "Everybody's anxious. I'm anxious, too."

Those who haven't quit the market are suffering and looking for relief in everything from fundamental stock analysis to divine intervention. At the Millennium Money Makers investment club in Sacramento, February's meeting began with a recount of January's awful performance: Just two of their 16 stocks were up in price; 14 were down. One big loser was luxury handbag maker Coach ([COH](#)), off 30% since the start of the year. But the group soldiers on. After an analysis of several potential investments including nutritional supplement maker Herbalife ([HLF](#)) and agricultural giant Archer Daniels Midland ([ADM](#)), the 14 members decided to put their money into Ralcorp Holdings ([RAH](#)), a big manufacturer of generic cookies and cereals the club felt would benefit as supermarket shoppers traded down to house brands.

"Prayer doesn't hurt," says club member Jan Foote, when asked how she musters the strength to keep putting money in the market after all these losses. "If I were doing it on my own, it would be much scarier. We have a support group. That makes a big difference."

[Palmeri](#) is a senior correspondent in *BusinessWeek's* Los Angeles bureau.