

Brexit: Keep Calm and Carry On

By Charles Lowenhaupt

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The UK vote to leave the EU is an epochal event. Its ramifications will be substantial for Europe and the world. No one knows what will happen next, but the passage of time will offer knowledge we do not have now.

Most immediately, the results have included dramatic drops in world markets. The Dow Jones Industrial Average fell 610 points, losing 3.4% of its value on the day after the Brexit vote was taken. We are likely to see continued volatility in the markets.

At times like this, the natural question is, “What should I do?” In our view, you should do what you always do – remain thoughtful and measured.

In the more than 100 years we have been helping families, we have seen many disruptions and cataclysmic events. These include war, natural disasters and most recently for financial markets, the markets of October 1987 and October 2008.

So what can we learn from the past?

- Patience and resolve are fundamental for private wealth holders. Taking the long view is how families have ridden out the peaks and valleys of the markets.
- Clever and overly creative solutions may look like safe harbors, but more often than not, they are the refuge of crooks like Bernie Madoff or failures like Lehman. Steer away from these options and instead anchor your investments in deliberate process and careful consideration, as these are how to preserve and protect wealth. Uncertainty creates volatility. Volatility can lead to panic, and panic interferes with sound process.
- It’s important to remember that the most successful investment portfolios over the long term have had substantial investments in well-run, publicly traded companies. Most of those companies today are global and know better than anyone how to navigate the waters of economic and political instability. A diversified portfolio of stocks and bonds is still the most effective way to manage wealth.
- Maintaining liquidity is key because that provides flexibility. Particularly in times of volatility, ensuring that there is adequate cash for several years will provide the comfort that expenses can be met regardless of market action.

During World War II, the British Government launched a campaign to raise the morale of a country under devastating attack. One of the byproducts of that effort was a series of posters, so characteristic of the famous British “stiff upper lip.” It seems completely appropriate to follow the advice of the now most famous piece of propaganda, “Keep Calm And Carry On.”