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Put cash to work

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Geopolitical disruptions, equity markets at record highs, and nervous market commentary are prompting many Swiss investors to hold large cash balances. But waiting is not a risk-free strategy. Those seeking to preserve and grow wealth over the long term should invest excess liquidity with a long-term plan in mind.

Daily headlines about wars, geopolitical tensions, trade conflicts, and sharply increased government debt can be unsettling. Many investors understandably wonder whether it would be more prudent to wait. Cash can feel reassuring in such periods: Its nominal value does not fluctuate, it is readily available, and it appears to offer protection from market uncertainty.

But security has several dimensions. Holding cash to cover near-term expenses, taxes, or an emergency reserve is prudent. By contrast, investors who leave assets beyond these needs in an account for an extended period face the risk of a gradual loss of purchasing power. The Swiss consumer price index measures changes in the prices of goods and services consumed by private households. Assets, however, are not included. And it is precisely in this area that the erosion of purchasing power has been substantial. Swiss residential property prices have more than doubled over the past 20 years. A Swiss franc in an account may have retained the same nominal value. Relative to the price of a home, however, its purchasing power has halved.

This reveals the next concern: Any investment can incur losses. That is certainly true in the short term. Equities, bonds, and even real estate can lose value. The key is therefore not to avoid every risk, but to calibrate risk to the investment horizon. Funds needed over the next few years belong in liquid, defensive investments. Longer-term capital, by contrast, can be more broadly diversified. Diversification does not prevent setbacks, but it reduces dependence on a single market, asset class, or scenario.

Many investors counter that equities are already expensive. In some market segments, high valuations do point to lower future returns and greater volatility risks. But they do not provide a reliable signal for the best entry point. Markets can remain expensive for longer than expected, while corporate earnings and innovation continue to support prices.

A pragmatic response is therefore not to invest everything at once, but to start now. Excess liquidity can be invested in several tranches over a predetermined period. This reduces the risk of investing the entire amount immediately before a setback.

And what if there are no compelling alternatives to equities? It can help to consider the role of each portfolio component. High-quality bonds can provide income and stability. Real estate and alternative investments can offer additional sources of return, although liquidity, costs, and specific risks require careful consideration. The solution is usually not one perfect investment, but a combination of components that perform different roles.

Cash remains essential. But it should serve a purpose, rather than become a permanent fallback strategy. The world is unlikely to give us a time when uncertainty has disappeared. Investors who deploy long-term capital gradually, with broad diversification and discipline, do not need to know which headline will move markets tomorrow. It is better to put cash to work than to wait for every doubt to disappear.

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