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Will the market crash or correct or continue to rise?

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That question in the headline is one that I have been receiving from clients lately. From what I read and see, the stock market's future is on a lot of people's minds, and with good reason.

First of all, the market has a history of crashing from time to time – often without warning, like the time Alan Greenspan 72 days into his term as Federal Reserve chairman unexpectedly raised interest rates by a quarter point in October 1987. The market dropped 22.6 percent in one day and dropped more in ensuing trading sessions. The dot-com bubble and the 2007-08 crash are other examples. These events have seared investors' minds, and so they are wary, as they should be. In a series of slow-grinding moves, this market recovery has gone on for the second-longest time since 1928. Investors begin to wonder if it will continue. Should you be in the market as it climbs to new highs, or drop out of the market in anticipation of a drop? To be in the wrong place at the wrong time can be expensive.

Let's look at what we know. The long-term trajectory of the stock market is up and to the right on a graph. On an annual basis, the market rises about 75 percent of the time. An investor is betting on the long-term growth of the U.S. economy, which is almost a given, and an investor's stock selection is a bet on good management, which, while not a given, is more common than not. Those crashes we talked about barely show up on any long-term chart.

The market has been rising for a long time and therefore is due for a correction, right? Not necessarily, because as new information flows into the market, the rally can be extended. New information can be rising profits, lower tax rates and innovations. Conversely, the rising cost of money (interest rates) can be a negative, unless of course rates are rising because the economy is strong.

Then there is the search for alternative investments. Cash is hardly a choice because it returns almost nothing and does not grow. In fact, cash can and will lose value in an inflationary economy. While we haven't been experiencing inflation, at least some of the Federal Reserve Board members think it is coming. Fixed income provides some protection, but no growth.

Warren Buffett recently asked "why would you pay 40 times earnings for something that has no chance of growth?" He was speaking of the 10-year Treasury bond at 2.5 percent.

So you are back to equities as the place that provides growth and income over time as the best place to invest. Now your choice becomes: Which part of the world should you invest in? Which sectors of the economy should you invest in? You can see that these questions are more manageable. Diversification of this nature also reduces risk, so by diversifying your investments and investing in the best sectors and geographical regions you can potentially profit while reducing risk. Investors can never take all of the risk out of the market, but they can reduce it.

We seem to be in a market that is fully priced, but if profits rise, it is not so expensive. It may even be fairly priced. European equities are not as expensive, but come with less growth opportunities and more monetary risk, so maybe U.S. equities are the best place to be after all – and for the moment even better than Asia or emerging markets. We brought our money back to the U.S. a few years ago and it has been the right decision.

Notice that I have left politics out of this discussion, and that is because my comments are based on economic decisions, not political ones. Politics can and do interfere and even intervene, but remember that the long-term chart of equities has survived various administrations and even wars. Keep your eye on the horizon.

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