It's been nearly two years since the stock market and economy began their downward spiral in the fall of 2008. Since then, thanks to a 50 percent drop in the stock market, government investigations, media disclosures, Bernie Madoff, government bailouts and a widespread loss of faith in the wisdom of the nation's biggest banks, investors have fundamentally changed their attitudes towards investing and wealth management. Here are eight lessons learned since the fall of 2008.

AFTER THE FALL

DON'T TRUST OLD ASSUMPTIONS ABOUT PORTFOLIO RISK.

For years the financial planning community hyped its ability to crunch numbers and measure the chances that a portfolio will meet client goals. But those analyses were only as good as the assumptions and data on which they were based, and almost none anticipated the domino effect of pervasive leverage. As a result, investors found even meticulously hedged portfolios plummeting.

According to pre-2008 assumptions, "a well diversified portfolio with 60 percent in stocks should only drop in value by 25 percent once in about 1,000 years. But such a massive decline has actually occurred twice in less than 100 years," says Chris Cordaro, a financial advisor at RegentAtlantic Capital in Chatham, N.J. Investors need to beware of "outlier events."

THERE ARE MORE KINDS OF RISK THAN MOST PEOPLE REALIZED.

For years sophisticated and studious investors have primarily estimated investment risk by using standard deviation, a measure of volatility. But the stock market collapse from September 2008 to March 2009 underscored how many different phenomena affect risk calculations, says Dean Junkans, chief investment officer for Wells Fargo Private Bank. "In addition to standard deviation, you have to look at liquidity, interest rate, leverage, event, concentration and transparency risk."

MARKET VOLATILITY IS THE NEW NORM.

The stock market's normal ups and downs have escalated into frequent and wild gyrations, and market experts say this volatility isn't likely to go away anytime soon. "It's because the market is now dominated by speculators," says John Hirtle, chief investment officer of Hirtle Callaghan & Co. of West Conshohocken, Pa. "Speculators were always the tail and investors were the dogs, but now it's become the reverse."

In response, Hirtle says, investors must screen out the daily hubbub of price fluctuations and commit to long-term valuation strategies.

IT'S A BIG WORLD, AND YOU HAVE TO INVEST IN IT.

U.S. investors have traditionally dipped only a big toe into foreign stocks, if that. Why bother? Before 2008, domestic stocks were growing at an average pace of 10 percent a year, and you couldn't easily do better anywhere else.

As the U.S. economy has sagged and emerging markets have risen, that thinking has changed dramatically and probably permanently. Investment advisors who once recommended a 5 percent to 10 percent stake in foreign stocks are recommending up to 50 percent in foreign shares. "People should be globalizing every asset class in their portfolios, not just the equity part," Dean Junkans says.

WASHINGTON'S DEBT IS OUR DEBT.

The federal government has a problem: an annual deficit likely to exceed the Gross Domestic Product by 2012. To help pay off its debt, as early as next year it will launch a new era of higher taxes. For couples with income of more than $250,000 and singles with more than $200,000, income tax rates are likely to jump from 31 percent and 35 percent, respectively, to 36 percent and 39.6 percent. Capital gains taxes are expected to rise from 15 percent and 20 percent, and dividends may be taxed at income tax rates rather than the current 15 percent.

And those increases—yet to become law but almost certain to do so—will be followed by more in 2013 under the health care bill signed by President Obama in March. Namely: a .9 percent increase in Medicare payroll tax, and a new 3.8 percent Medicare tax on investment income. Bottom line: Adopting tax-savings strategies prior to each phase of increases is critical.

MEET THE NEW BOSS. WILL HE HELP OR HURT THE OLD ONE?

New financial industry regulation emerging from Congress will usher in a fundamentally changed relationship between the government and Wall Street—one in which the primacy of Washington is reasserted for the first time since, perhaps, the New Deal. What does that role reversal mean for investors? Optimists say less irresponsible behavior by banks; pessimists suspect that banks, curtailed from investing as they wish, will restore lost profits by raising costs for consumers.

ALWAYS BE LIQUID.

Before the crisis, HNW investors' alternative investment needs were fulfilled primarily by hedge funds, which took in more than $500 billion of new assets in the five years ending in 2008. But after watching asset values plummet while being held captive by lock-up periods and redemption gates, many investors grew disenchanted with hedge funds and are demanding more liquidity in their portfolios.

"Many clients are giving up hedge funds for mutual fund managers who employ hedge fund strategies," says Joseph W. Spada, an advisor at Summit Financial Advisors in Parsippany, N.J. And investors seem comfortable taking cash out of the markets altogether for extended periods of time, once considered a guaranteed way to lose money.

THE ONLY CERTAINTY IS UNCERTAINTY.

Investing always comes with unknowns, but the level of uncertainty among investors has spread beyond simply the question of which way stocks are headed. "There are issues involving trust and confidence in advisors, trust in the financial system's stability, trust in the government and corporations," says Jonathan Satovsky, president of Satovsky Asset Management in New York.

To prevent uncertainty from turning into panic, investors need to establish a sense of control, says Frank Murtha, a behavioral investment expert who cofounded asset management firm MarketPsych. "This means having a plan for if—or when—the market or economy falls again."

IN THE PAST TWO YEARS, VIRTUALLY EVERYTHING INVESTORS THOUGHT THEY KNEW ABOUT FINANCE HAS COME INTO QUESTION. SO WHAT ARE THE NEW RULES?

By Karen Hube