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MONEY TALK

Staying the Course

When it comes to the stock market, I've found that many investors remember the pain associated with losses more intensely, and for a longer period of time that the gains made during prosperous times. This can lead to investor emotions possibly undermining the performance of their portfolios. A very common scenario is when individuals find themselves buying when the market is at its peak, only to head for the sideline and sell when stocks are plunging. Part of my role as a financial planner is to encourage my clients to have some insight regarding the **history of the stock market**. This helps instill confidence to invest for long term results. The market is just too difficult to predict in the short term. Overall, the market has been quite resilient through the years.

Statistics from a 2014 JP Morgan asset management "Guide to Retirement Report" revealed the difference the return would have been on a 10k investment from 12/31/1993 until 12/31/2013 having missed out on the **ten best trading days**. Someone having been fully invested during that entire period in the S&P 500 would have seen their investment grow from \$10,000 to \$58,333, an average annual return of 9.22%. If that same investor had missed out on the ten best days, the account would have only grown to \$29,111, with an average annual return of 5.49%.

With all the media coverage and our access to information, it seems there's no shortage of headlines which could sway one from staying the course in the market. Consider the recent Brexit episode. On June 23rd of this year, the United Kingdom voted to leave the European community. Initially the outlook was bleak, but just a few trading days later, the stock market reached **all-time highs**. Very few people, if any, saw that coming. It just goes to further illustrate the point that it's extremely hard to forecast the short-term trend of the market.

By definition, a Bear market is characterized by a 20% or greater loss in the market while conversely a Bull market is a 20% or better gain. A study done by Gold-Eagle, a leading researcher for investing insights, looked at the average length of **Bull vs Bear markets** in the S&P 500 from 1929-2013. They found that there were 25 Bull and 25 Bear markets during that period. Particularly noteworthy was the average duration. Bear market periods tended to average around ten months, while the bull markets lasted closer to 30 months. Despite these averages it's prudent to be prepared for a prolonged downward trend.

In an effort to mitigate risk and still reap the rewards of investing in the market, a bucket approach to investing is often utilized. This is accomplished by making every attempt to ensure that you will always have a "go-to account" even when the stock market is going down. Asset classes such as cash, cd's, gov't bonds, gold, or annuities can help you weather the storm while you wait for the stock portion of your portfolio to rebound. So far it has always bounced back and has set new record highs along the way. Considering that the S&P 500 has grown from 24.86 in 1929 to 2,170.95 as of August 31st, 2016, I think it's safe to say a lot of wealth has been created along the way, especially for those with a **long term commitment.**

I look forward to helping you with your financial planning strategies, which includes selecting the right mixture of asset classes to **achieve your financial goals and needs**. When making suggestions to you, I will factor in important benefits such as income streams from the federal government and social security. I encourage you to take advantage of an invaluable new tool I am using called **Riskalyze**. Using Riskalyze allows you the opportunity to complete a risk questionnaire, then compare the results to your current portfolio including your TSP funds, assuring your risk tolerance is congruent with your actual investment holdings. In many cases there are some inconsistencies and with this program I can make some suggestions in modifying your account to mitigate risk and maximize potential returns. I invite you to contact me at 816-229-5948 or wguemmer@moneyconcepts.com for **your personalized risk questionnaire.**