

# HOW THE FOURTH QUARTER OF 2018 PUTS TO REST THE MYTH OF A FREE LUNCH



Last December, if you caught the news at all, you couldn't help hearing how poorly stocks were doing. For several weeks the volatility seemed to be fulfilling the dire predictions of every market doomsayer.

However, it's one thing to *hear* about market fluctuations on some distant trading floor and quite another to see it.

For some, the negative feelings were so overwhelming that they sold assets just to "do something" about the situation.

## How Bad Was It?

According to Marketwatch, the 4th quarter of 2018 saw the S&P 500 lose 17.1% of its value from the previous new market high. According to their calculations this made October through December of last year #14 on the list of worst performing quarters since 1926.<sup>1</sup>

However, to get their article out before Christmas, Marketwatch looked at the S&P 500's performance only through December 21st. If they had waited a week, they would have been able to include the 3% gain right before the close of the year. This would have improved the 4th quarter of 2018's ranking—a small consolation for anyone experiencing double-digit declines.<sup>2</sup>

But every cloud has its silver lining.

Marketwatch then looked at S&P 500 performance for the years following those historic down markets. The thirteen worst quarters were followed by one year gains averaging 25.6%. The three and five year averages were even better.

And when they analyzed from 1940 to the present (removing the anomaly of the Great Depression), the following one year gains of the S&P 500 Index dipped slightly to 23%, while the three and five year gains increased significantly.

## Earning Your Lunch

Economist Burton Malkiel is famous for saying that in the stock market "There ain't no such thing as a free lunch."<sup>3</sup> He meant that if you want to realize long-term gains, you must expose yourself to extended periods of risk, often experienced as downward market price volatility. Even so-called safe investments like bank CDs carry the risk of losing money by not keeping up with inflation.

A productive way to think of 2018's disappointing last quarter is that long-term investors simply paid for their lunch. Quarterly dips are simply to be expected when pursuing the above-inflation returns the market has consistently paid over longer time periods.

As bad as it was, the end of 2018 didn't compare with the corrections of 1987 or even 2002. In fact, as of this writing, the S&P 500 Index is significantly up from its December lows. Of course that data point could change again tomorrow. But we're reminded once again of this universal truth: the best way to take a temporary decline and turn it into a permanent loss is to sell.

As statements arrive they may look different than they have for the past several years, remember that periods like these are unavoidable because there is no free lunch. In order to benefit from the upside of market volatility, investors have to bear downturns in the market as well. We are the best resource for guidance and reassurance as the markets dish out new circumstances. Be sure to reach out if you have questions or concerns.

Have a great weekend!

Source: Efficient Advisors

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## Golf Tip of the Week



## Embrace the Toe Chip

If you ever end up with your ball in a divot or lying in thick grass, a toe chip can help you get it out of the grass and onto the green. Here's how:

Set up close to the ball with your shaft nearly straight and just the toe of the club (the part of the clubhead farthest from the shaft) against the ball. This is the only part of the club you want to strike the ball.

Put just a bit of weight on your left foot and keep your grip solid, but relaxed. You want your angle onto the ball to be sharp to get the ball up and out of trouble.

Pick a target and think about how much distance you need on the ball to reach your goal. Calibrate your backswing to the distance you need to achieve and strike the ball sharply. If you've done it right, the ball should fly up and out and roll freely on the green.

Tip courtesy of Lee Huntley, LPGA/PGA | Golf Tips Magazine<sup>i</sup>

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## Recipe of the Week

### Easy, One-Pot Pasta



Serves 4

#### Ingredients:

12 oz. linguine (you can use spaghetti if you prefer)  
12 oz. cherry or grape tomatoes, halved  
½ onion, thinly sliced  
1 medium shallot, thinly sliced  
4 - 6 cloves garlic, thinly sliced  
½ - 1 tsp. red pepper flakes (depending on heat preference)  
2 sprigs basil, plus torn leaves for garnish  
2 Tbsp. extra virgin olive oil, plus some to drizzle when serving  
2 tsp. coarse salt

4 ½ cups water

Freshly grated Parmesan cheese, for plating

**Directions:**

1. In a large, straight-sided skillet (you'll need the depth), combine the pasta, tomatoes, onion, shallot, garlic, red pepper flakes, basil, oil, salt, and pepper with the water. Bring to a boil over high heat. Reduce to a medium boil and cook the mixture, stirring the pasta frequently until pasta has reached the desired consistency and water has nearly evaporated (approximately 9 minutes cooking time).
2. Adjust seasoning, plate, and garnish with basil. Drizzle with a bit of olive oil and Parmesan shavings.

Recipe adapted from [www.marthastewart.com](http://www.marthastewart.com)<sup>ii</sup>

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## Health Tip of the Week



### Healthy Knees? Yes, Please!

When you think about it, knees are a pretty fragile joint, yet super important. It's a one-way joint, so the mobility is limited. Taking care of your knees is essential to prevent injuries, inflammation, and in some cases, knee replacement. Check out these knee health tips to walk with ease:

- Stay at a healthy weight. Walking on level ground equals 1 ½ times your body weight in force. For example, at 200 pounds, you're putting 300 pounds of pressure on your knees and even more when walking at an incline.
- Low-impact exercise is best to minimize too much pressure on knees. Think walking, swimming, cycling, and strength training.

- Keeping your core in shape helps your whole body to stay balanced. Yoga and Pilates are beneficial in keeping your abs, back, and hips strong.
- Make sure your shoes are appropriate for your activity level. Sometimes insoles or even orthotics from the podiatrist can help to align your feet, legs, and hips for healthy and pain-free knees.

Tips adapted from WebMD and Harvard Health Publishing<sup>iii</sup>

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Sources:

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2. <http://go.efficientadvisors.com/e/91522/quotes--symbol--SPX/5sqg6g/614598271?h=rRxeN1rtIIY5eiZXS4ypi75Xb5yXUA7nDNSnuvpP60>
3. [A Random Walk Down Wall Street, Burton Malkiel](#)

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<sup>i</sup> <https://www.golftipsmag.com/instruction/>

<sup>ii</sup> <https://www.marthastewart.com/978784/one-pan-pasta>

<sup>iii</sup> <https://www.webmd.com/rheumatoid-arthritis/better-living-ra-17/active/slideshow-keep-joints-healthy>

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