

HOW TO THINK ABOUT THE NEXT 10% DROP IN THE MARKET



The vast majority of investors do not even want to consider what a 10% drop in the market would do to their portfolios, let alone talk about what they'll do *when* it happens.

But it's going to happen.

According to a study of the behavior of the S&P 500 index over the past century, a drop of at least 10% occurs on average once a year.¹ By comparison that would be like the Dow Jones Industrial Average dropping roughly 2,500 points from recent levels.

Yet even though it's statistically very likely that the market will experience this kind of downward volatility even in economically healthy times, when it *does* happen many investors react as if the unthinkable has just taken place. You'll hear the word "Correction" repeated from all sorts of financial media as if recent prices are somehow incorrect. These are the times when people who are saving for their retirement often react, causing serious damage to their nest egg.

When That Terrible Low Was Last Year's Record High

Remember, there's no free lunch. Risk and return are related. Downturns in the market are simply a part of investing. With individual stocks moving in a mathematically random manner, it's impossible to predict which direction even one of them will go on any given day—let alone the market as a whole.

But there is a way to prepare yourself for the inevitable drop in stock market averages in a way that takes away some of the sting of a short-term decline in portfolio value. Instead of focusing on the short-term movements, maintain a long-term perspective.

A 1/10th *drop* in the market this week would return us to the record *high* of about a year ago. At the time of this writing, the S&P 500 reached recent new highs of over 2,500 points. A "disastrous" 10% so-called correction would take it down to about 2,250 points, the record high reached in late October 2016. The same number that might tempt some investors today to

wonder if they should be in the market at all was a cause for celebration about a year ago.²

There's nothing pleasant about a market decline that large. You can be sure it will be accompanied by plenty of scary headlines. But if you as an investor can resist the urge to act on emotion (and change your investments at the worst possible time), you have a much greater opportunity to make a full recovery.

The study cited above found that, on average, the market as measured by the S&P 500 index took 115 days to recover from a 10% decline. However, cashing out at or near the bottom, makes your temporary paper loss permanent.

The Discipline Dividend

Because of the random nature of the market, rapid declines often come without warning. Having the discipline to remain committed to your investing strategy is the most reliable way to reap its long-term outcomes.

Of course, there will always be market predictions about what's going to happen next but nobody actually knows with any degree of certainty. And when a market drop comes, somebody somewhere will have been the most recent person predicting the drop. Don't be surprised (or fooled) when the financial media presents them as someone with extraordinary insight or skill.

Hindsight often tempts us to think "I knew it" or "I had a feeling" after the fact. This emotion makes it even more difficult to sit pat and not react in some way. Sadly, giving in to this urge to "do something" is what keeps many investors from reaching their investment potential compared to the major indexes. That's why preparing yourself mentally and emotionally in advance is part of maintaining a prudent investment strategy.

After we've worked with you to create a long-term investing plan, the most valuable service we can offer you is the encouragement to stay the course. If you find yourself with doubts or questions, be sure to reach out for a conversation about what makes the most sense to do or NOT do for the long term.

Have a great weekend!

Source: Efficient Advisors

Golf Tip of the Week



Perfect Your Half-Wedge Shot

Approaching half-wedge shots on the course can be tricky. However, by learning to control your distance, you can take wedge shots with confidence.

To practice controlling your distance:

The Swing

- Use your arms to bring the club back.
- Turn your body fluidly toward the target on the downswing. Do not try to hit the ball with your hands.
- Focus on regulating your backswing and through-swing on either side of the ball with 3 different swing lengths.
- Practice these swings with the same speed and strength, not any harder or softer.

The Wedge

- Practice each swing length using 3 different wedges.
- Pay attention to how the various wedges change your distance.

By sequencing your swings and becoming more familiar with your wedges, you can control your distance and hit the half-wedge with purpose.

Tip adapted from *Ron Kaspriske* | Golf Digest Magazineⁱ

Recipe of the Week



Spicy Chicken Miso Stir-Fry

Serves 4

Ingredients:

2 cloves garlic, chopped
2 serrano peppers, sliced thin
1 tablespoon fresh ginger, peeled and chopped
2 tablespoons vegetable oil
1 ¼ pounds chicken breast, boneless and skinless, cut into ½-inch pieces
2 tablespoons miso, white or yellow
2 tablespoons water
4 green onions, sliced
3 cups cauliflower rice, cooked*
¼ teaspoon each, ground salt and pepper

Directions:

- Warm a 12-inch skillet on medium heat, and cook garlic, peppers, ginger, and vegetable oil for 3 minutes or until garlic turns golden, stirring frequently.
- Put chicken breasts in skillet with salt and pepper, and cook for 4 minutes.
- Whisk together miso and water in a separate bowl, then toss into skillet along with the green onions.
- Cook entire mixture for another 3 minutes or until chicken is done, stirring often.
- Serve with cauliflower rice.

**You can substitute regular rice for cauliflower rice.*

Recipe adapted from Good Housekeepingⁱⁱ

Health Tip of the Week



Identify Glaucoma Symptoms

Glaucoma is a group of eye conditions in which the optic nerves become damaged and can eventually lead to blindness. Once someone loses their vision to glaucoma, they cannot recover their sight. While anyone can develop glaucoma, it is most common in older adults. Regular eye visits can help keep your vision in check.

Here are some signs you can also look out for:

Open-Angle Glaucoma

- Irregular blind spots in your peripheral or central vision, often in both eyes
- Advanced tunnel vision

Acute Angle-closure Glaucoma

- Pain in your eyes
- Intense headaches
- Blurry vision
- Red eyes

Consult a doctor if you feel you may have any of the above symptoms.

Tips adapted from Mayo Clinicⁱⁱⁱ

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Sources:

1. <http://go.efficientadvisors.com/e/91522/ffordability-a-growing-concern/4rld1/280983368>
2. <http://go.efficientadvisors.com/e/91522/our-house-is-not-an-investment/4rld3/280983368>
3. <http://go.efficientadvisors.com/e/91522/terms-i-investment-asp/4rld5/280983368>

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i <https://www.golfdigest.com/story/master-the-half-wedge>

ii <http://www.goodhousekeeping.com/food-recipes/healthy/a42219/spicy-chicken-miso-stir-fry-recipe/>

iii <https://www.mayoclinic.org/diseases-conditions/glaucoma/basics/definition/con-20024042>