

War in Ukraine

The Russian invasion of Ukraine has been shocking and heartbreaking. There are no words to describe the brutality of war and the sheer number of refugees entering Europe. However, I find some comfort from the consolidated condemnation and united front against Russia and the welcoming of the refugees across Europe. When we see a tragedy unfold before us, we all want to be able to do something. I am thankful that many are answering the call.

Being so far away from Ukraine makes it harder to help the effort directly. Still, there are ways to help, like providing money to our local Ukrainian church or donating to reputable charities like the World Central Kitchen wck.org who are providing food to the refugees and relief workers. You can verify non-profits through the following websites:

- Charity Navigator charitynavigator.org
- Charity Watch charitywatch.org

Acknowledging the long-term devastation of Ukraine is essential. Just the lost infrastructure alone will take decades to replace. The impact of war on families and their livelihoods may never fully recover.

Stock markets do not like uncertainty, and even before the invasion, the stock markets were already experiencing market volatility. The effects of the war on our economy should be limited with the exception of rising inflation. The Ukrainian and Russian economies are significantly smaller than the United States economy. For instance, Russia's economy represents only 7% of the US economy. Recently, Russia's credit rating was downgraded to a junk bond rating which means the probability for default is likely. According to the International Monetary Fund (IMF), despite a default, most of the world economy will remain unharmed. The last time Russia defaulted was in 1998. The United States has never defaulted.

A pullback is any temporary negative response by the market. A correction is ten percent down from the recent stock market high, while a bear market is defined as twenty percent down from the peak. Market pullbacks and corrections are normal and can occur even in a positive year. Bear Markets are less common and typically happen before an economic recession; the current economic data does not support one. Economic news remains optimistic with strong corporate profits, low unemployment, and continued economic growth in the United States. When looking at the historical invasions, the stock markets recovered relatively quickly, with many ending positively for the year.

It is a good time to review our best practices for handling market fluctuations during a crisis:

- **Media Over-Exposure:** Reduce exposure to media sensationalism. Remember that the 24/7 news cycle has to fill time, so they repeat negative news, making it seem potentially more significant. Certainly, the reality of war cannot be ignored, but dwelling on it is not healthy. Find actions you can take to feel like you are making a difference, no matter how small, and then do not have the news on in the background all day.
- **Statistics:** Keep in mind that the point drop is not the same as the percentage drop. For example, with the Dow now around 33,000, a 660 point drop sounds large but is actually just 2.0%. Ten years ago, when the market was about 12,966, the same 660 point drop would have been 5.1%.
- **Quarterly Statements:** Re-evaluate the frequency of your online access, especially if you are looking at your accounts daily. Continue to review your statements quarterly.
- **Diversification:** The diversification that we have built into your portfolio is designed to help in the long term. Ask yourself, "What is the likelihood that all of the companies that I am invested in would go bankrupt at the same time?"
- **Long-term Investor:** Remember that you are a long-term investor even in retirement.
- **Bear Market Plan:** If you are already retired, we have reviewed the importance of emergency savings while creating your Financial Plan. The emergency savings is to be used for the unexpected, including Bear Markets. We are currently experiencing a market correction and not a Bear Market.
- **Rely On Me:** Don't hesitate to call me whenever you become uncomfortable with the markets. While the volatility is expected to continue, the markets may still end positively for the year.

As always, I am only a phone call away.

Kind regards,

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