TANDEM WEALTH MANAGEMENT

May 2022

Bear Market?

Whether or not we are actually in a Bear Market isn't relevant because it definitely feels like one. I find solace in history and knowing that we have been here before, but that doesn't make going through a downturn any easier. As markets continue their volatility, it is easy to think they will keep going down. They likely will for a while, but eventually, the markets will begin to recover. History shows us that statistically, there are more positive years than negative years. Over the last thirty years, negative returns have happened less than a third. Unfortunately, we tend to remember the down years more than the up years.

Even though we cannot control the economy or the stock markets, we can control how we react to them. Worry is normal, and we are only human, but it is important to remember that we have experienced market corrections, most recently the bear market in 2020. We are often told not to make significant decisions during a loss or a crisis, and this advice rings true for our investments. Sticking to your Financial Plan continues to make sense and allows your investments to recover.

Understanding our Bear Market plan and what constitutes a Bear Market seems prudent. A Bear Market occurs when one or several stock markets experience a decline of 20% or more. This decline doesn't necessarily mean your accounts are down by the same amount. Your portfolio is diversified and invested in hundreds of different companies. If you are not selling, the loss is only on paper. If you take monthly distributions, these distributions represent only a small percentage of your overall net worth, so the effect on your return is small. However, if you are taking monthly distributions (aside from your RMD) that can be covered by other sources such as your emergency savings, we may want to review your plan to see if stopping them makes sense. In 2020, retirees were allowed to suspend their Required Minimum Distributions; this suspension has not happened yet, and I don't anticipate this being an option for 2022. If that changes, I will reach out to review your options.

When should we sell our investments and move to cash during a downturn? Never; otherwise, we lock in our losses. Staying the course allows your investments to recover and takes the emotion out of your decision. Thinking you are taking control of a bad market by moving your money out of equities may temporarily relieve your nervousness; however, you are locking in your losses permanently and negatively affecting your Financial Plan. You can no longer recover if you are no longer invested. The other side of this decision is knowing when to come back in, but most who leave rarely return since it takes courage to remain invested. We also cannot time the market to move out temporarily. If we attempt to market time, we often miss most of the recovery since it takes resiliency to stay invested and would take courage to go back in. For example, trying to time the previous Bear Market in 2020, investors would have missed their chance to recover in mere weeks. They would have sold low and only had the option to buy back in high.

Remember, your investments represent actual companies made up of individuals who want their companies to succeed. The speed of innovations accelerates during difficult times. Companies find ways to reduce costs and increase productivity, positively affecting their stock prices long-term. The only way to lose all of your money is for all of the companies you are invested in to go bankrupt at the same time, which is extremely unlikely.

During a downturn, I recommend taking back some control by looking for the opportunities. You might feel more in control by reducing unnecessary expenses, especially with the current inflation. Others might find comfort in adding to emergency savings or paying down debt. If possible, consider increasing your contributions. While investing in a negative market seems counterintuitive, you are buying more shares on sale. Once the temporary decline subsides, your contributions are rewarded. You can also convert part of your IRA to Roth IRAs and allow the money in the Roth to recover tax-free. The hope is to buy low and sell high. "Those who have persisted with equities have been rewarded. No one has made money in the long run from betting against stocks or the future growth of our economy."[1]

Finally, remember you are not alone in weathering the uncertainty. I am here. Whether you are my family, friend, or client, my advice remains the same. We stay the course and look for opportunities.

Kind regards,

Meghan

[1]**Siegel, Jeremy J.** *Stocks for the Long Run. 5th ed., New York 2014*

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