





KEY TAKEAWAYS

- ✓ After 10+ years of growth, volatility jolted investors back to the harsh reality that market pullbacks happen regularly in the investing cycle.
- ✓ The U.S. stock market has endured many challenging events since 1980 —
 and has averaged double-digit annual returns despite these challenges.
- Panic-driven selling may alleviate short-term fear of loss, but investors may also miss out on the market's strongest days and reduce their longterm returns.



We've experienced many tumultuous events in the past 40 years, including 1987's Black Monday stock market crash, the terrorist attacks of 9/11 and the 2008-09 global financial crisis. Historians will certainly add the COVID-19 pandemic of 2020 to the list of remarkable events that have caused severe market volatility and prolonged periods of uncertainty.

All of these events had varying effects on our economy as well as our daily lives. What they share in common, however, is that **we've** always come through them. They hurt while they were happening, and it took longer to recover from some than others, but our market – and our economy – has always come back stronger and better than ever before

Markets, like people, do not like uncertainty. We cannot predict when market volatility will occur or exactly how long it will last.

What we can do is look at history to remind us that we've always come through it before, and we will come through it again.



HISTORY LESSONS

The decadelong bull market of the 2010s eased the pain that many investors felt in the 2008-09 financial crisis. Reality came crashing back in early 2020, as COVID-19 spread globally and markets plummeted in response.

The downturn left investors searching for reassurance that everything will eventually be OK. Fortunately, that reassurance is easy to find: A quick glance at the history of the U.S. stock market provides us with **three reminders about the true nature of volatility**.



1. VOLATILITY IS NOT NEW.

Between 1950 and 2020, we have experienced 36 market corrections (a market pullback of 10% to 20%), or an average of one every other year or so.¹

But here's the good news: three-quarters of the market corrections from the last 50 years never turned into serious bear markets. Most were short-lived, lasting three months or less.²

The takeaway here is that markets have recovered following a correction before — and they will do so again. Some may take longer than others, but history shows us that it's taken an average of four months to recover from prior corrections.³

2. MARKETS HAVE WEATHERED NUMEROUS CRISES IN THE PAST.

The coronavirus outbreak in 2020 is unprecedented in its global reach and effect on both human life and economies. However, markets – like people – are resilient and often come back from adverse events with renewed optimism. Consider some of the events affecting the U.S. stock market over the past 40 years:

- Oct. 19, 1987 The stock market crashes on "Black Monday."
- **1990-91** Iraq invades Kuwait, eventually leading to U.S. involvement.
- 2000 The tech bubble bursts.
- Sept. 11, 2001 Terrorists attack the World Trade Center and various sites on U.S. soil.
- March 20, 2003 The U.S. leads an invasion into Iraq to start the Iraq War.
- 2008-09 A global financial crisis hits hard for individuals and businesses.
- 2018 A trade war begins between the U.S. and China.



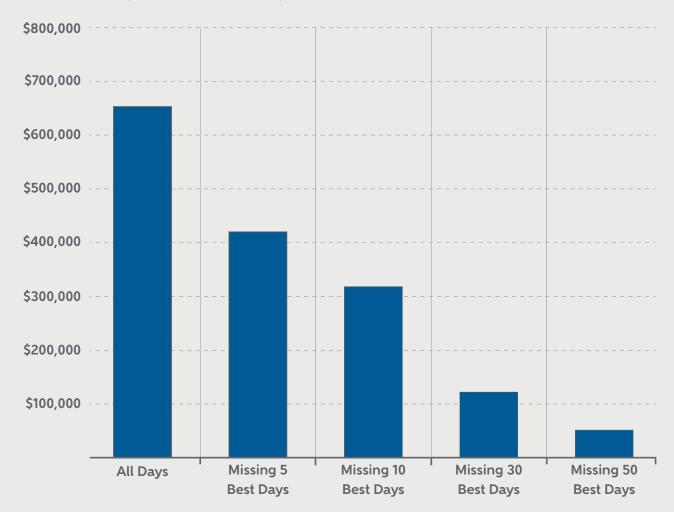
3. TIMING THE MARKET DOES NOT WORK. TIME IN THE MARKET DOES.

The adage of "buy low, sell high" often leads investors to think they can "time" the market. But it's nearly impossible to anticipate precisely when investments are at their highest high or lowest low. You might be able to achieve it once, but the odds of replicating such success are incredibly slim.

Instead, the more prudent approach is to put time to work for you. Investors who try to avoid volatility by timing the market may miss out on the worst days, but they also may miss out on the best ones. Check out this illustration, showing what happens when an investor misses the market's best days:

WHAT HAPPENS WHEN YOU MISS THE MARKET'S BEST DAYS4

GROWTH OF \$10,000 INVESTED JAN. 1, 1980



Source: FMRCo, Asset Allocation Research Team, as of Jan. 1, 2019. The hypothetical example assumes an investment that tracks the returns of the S&P 500® Index and includes dividend reinvestment but does not reflect the impact of taxes, which would lower these figures. There is volatility in the market, and a sale at any point in time could result in a gain or loss. Your own investing experience will differ, including the possibility of loss. You cannot invest directly in an index.

Past performance is no guarantee of future results. This is provided for informational purposes and does not serve as the basis for individual financial decisions.

LEARNING FROM THE PAST

We can use this historical perspective to guide our next steps as we wait out market volatility. Here's what we recommend:

- ✓ REBALANCE. Check in with your financial professional to make sure your portfolio is diversified and balanced to fit your goals and risk tolerance.
- ✓ **REFOCUS.** It's easy to get distracted from long-term goals when the short-term news is frightening. But opportunity does exist even when markets are volatile. Work with your financial professional to determine planning opportunities that may be available and beneficial for your future.
- ✓ **REAFFIRM.** You chose and established your long-term goals for a reason. Do they still work for you? Does your financial plan still match and move you toward those goals? Your financial professional can help you review and adapt your financial plan to make sure it still works for your life.

QUESTIONS ABOUT MARKET VOLATILITY? WE'RE HERE TO HELP.

If you're concerned about market volatility and how it's affected your financial future, contact us for a complimentary consultation. We can help you devise a strategy to navigate uncertainty in the markets and make sure you're still on track to realize your retirement goals.

¹Ben Carlson. A Wealth of Common Sense. Feb. 14, 2021. "A Short History of U.S. Stock Market Corrections & Bear Markets." https://awealthofcommonsense.com/2021/02/a-short-history-of-u-s-stock-market-corrections-bear-markets/. Accessed Oct. 29, 2021.

² John Bromels. The Motley Fool. Oct. 4, 2021. "What Are Stock Market Corrections?" https://www.fool. com/investing/how-to-invest/stocks/stock-market-corrections/. Accessed Oct. 29, 2021.

³ Thomas Franck. CNBC. Feb. 27, 2020. "Here's how long stock market corrections last and how bad they can get." https://www.cnbc.com/2020/02/27/heres-how-long-stock-market-corrections-last-and-how-bad-they-can-get.html. Accessed Oct. 29, 2021.

⁴ Fidelity Investments. "Navigating the Markets." https://institutional.fidelity.com/app/item/RD_13569_23965. html. Accessed Oct. 29, 2021.





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