RIDING MARKET HIGHS

TAKE ACTION NOW TO HELP PRESERVE YOUR WEALTH DURING TIMES OF FUTURE MARKET VOLATILITY


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KEY TAKEAWAYS

- ✓ The market's up-and-down, back-and-forth movements over the past few years have reminded investors of the importance of focusing on long-term goals instead of short-term events.
- ✓ Investors can get caught up in a "let it ride" mentality in times of unchecked market growth. However, it's just as important to keep an eye on the big picture in good times as it is in bad.
- ✓ We cannot predict when the market will drop or how far it will fall. Investors should take steps to position their portfolios against potential risk during times of growth.

THE RISE & FALL OF MARKETS

Fact: Future volatility could be one of the biggest threats to your portfolio. Logically, we all know that market growth is not permanent – and history shows us that what gœs up will come down. We also know that a well-balanced portfolio can often be one of the best defenses against future market drops. But when markets are soaring, it can be challenging to sacrifice near-term gains for better overall long-term results.

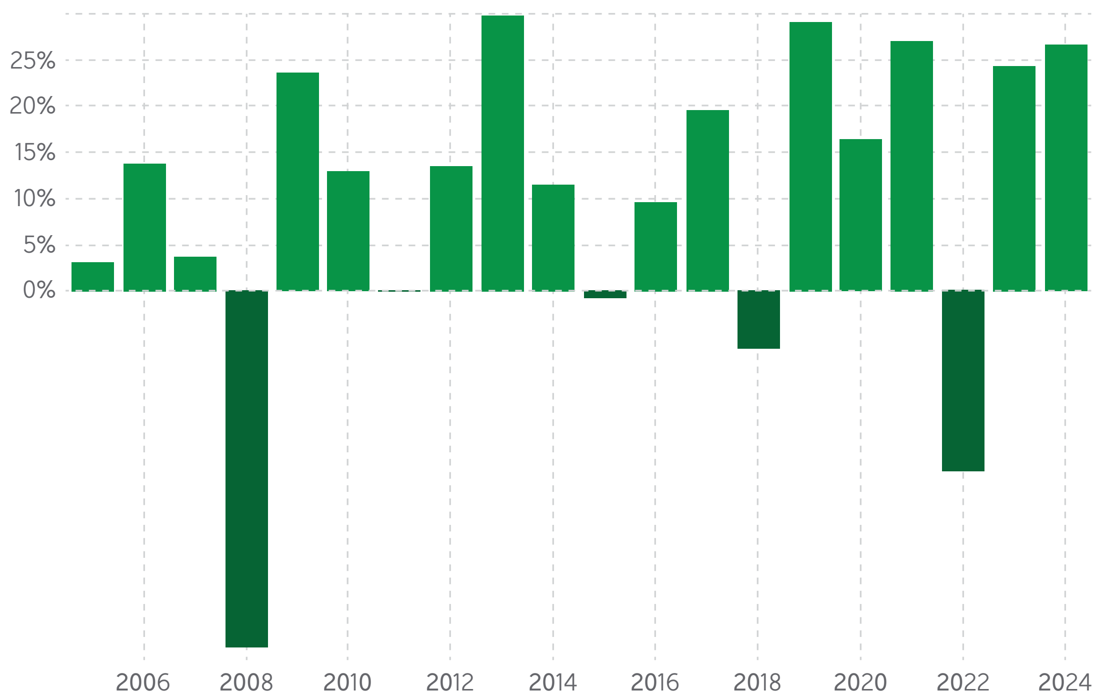
Following the Great Recession of 2008-2009, markets enjoyed eight years of incredible growth and low volatility. The relative calm lulled many investors into a false sense of security, with many forgetting the pain of losses they experienced less than a decade earlier.

Some investors were jolted awake in 2018 when volatility reared its ugly head. However, many chose not to heed the reminder that markets can drop unexpectedly – and were unprepared and unprotected when markets lost 34% in the early days of the COVID-19 pandemic.[1]

However, markets dropped again in early 2022 and struggled to regain momentum during the remainder of the year. We must not forget the hard lessons learned during the 2020 and 2022 market drops and take steps now to help preserve our wealth during times of potential future downturns.

S&P 500 PERFORMANCE

Jan. 1, 2005 – Nov. 30, 2024



Macrotrends. "S&P 500 Historical Annual Returns."
https://www.macrotrends.net/2526/sp-500-historical-annual-returns. Accessed Nov. 21, 2024.

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HISTORY LESSONS

The decade-long bull market of the 2010s eased the pain that many investors felt in the 2008-2009 financial crisis. Reality came crashing back in early 2020 and again in 2022, as markets retreated and struggled to regain their footing.

The downturn left investors stunned and searching for reassurance that everything would 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 investing.**

1. VOLATILITY IS NOT NEW.

Since the start of 1958, the S&P 500 has experienced 51 pullbacks of 10% or more.[2] This means that, on average, it's rare for stocks to go longer than two years without a correction – defined as a decline of 10% or more from a recent high.

However, in that same period, the S&P 500 index posted an average return of 9.07%.[3] That average includes the years we experienced corrections related to significant global and domestic events.

The takeaway here is that market highs have been followed by market drops – and they will likely do so again. And while some recoveries take longer than others, history shows us that markets generally recover from a 10%-20% correction in eight months on average.[4]

2. MARKETS HAVE WEATHERED NUMEROUS CRISES IN THE PAST.

The coronavirus pandemic 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 since 1987:

- 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 other 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
- 2020 – The coronavirus pandemic shuts down economies worldwide
- 2022 – Russia invades Ukraine, further disrupting global supply chains

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 if you've been investing for any amount of time, you know it's nearly impossible to anticipate precisely when markets are at their highest high or lowest low. You might be able to buy or sell at the exact right time once, but the odds of replicating such success are incredibly low. Investors who try to anticipate market highs and think they can "get out" before the market drops could be setting themselves up for potential disaster.

Instead, the more prudent approach is to utilize strategies that help preserve your hard-earned assets and potentially soften future market downturns.

A PRUDENT APPROACH TO MARKET HIGHS

While it's tempting to aggressively pursue growth during market highs, savvy investors know that balance is one of the keys to long-term success. We recommend taking these steps to help preserve assets during times of future market volatility:

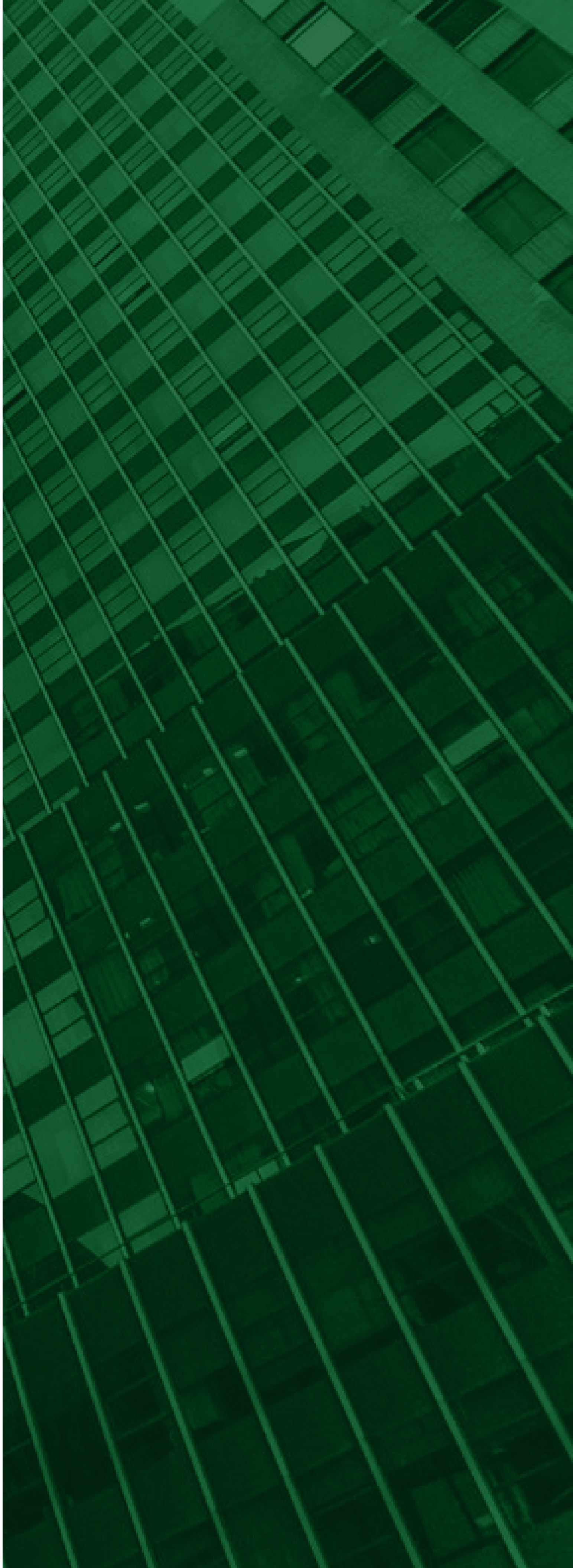
- ✓ **REBALANCE.** Have your circumstances changed? Do you have the same appetite for risk – or did past market drops create anxiety and fear about your future? Check in with your financial professional to make sure your portfolio is diversified and balanced to fit your goals and risk tolerance.

- ✓ **REFOCUS.** It's easy to get distracted from long-term goals when markets are soaring. But now is not the time to lose focus. 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 adjust your financial plan to make sure it still works for your life.

DON'T GET CAUGHT UNPREPARED FOR ANOTHER MARKET DROP.

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



[1] Ward Williams. Investopedia. Oct. 30, 2024. "Timeline of U.S. Stock Market Crashes." https://www.investopedia.com/timeline-of-stock-market-crashes-5217820. Accessed Nov. 21, 2024.

[2] Joseph Adinolfi. MarketWatch. June 26, 2024. "Why stocks could see a 10% pullback later this year." https://www.marketwatch.com/story/why-stocks-could-see-a-10-pullback-later-this-year-5f3de92e. Accessed Nov. 21, 2024.

[3] Macrotrends. "S&P 500 Historical Annual Returns." https://www.macrotrends.net/2526/sp-500-historical-annual-returns. Accessed Nov. 21, 2024.

[4] Brian Levitt. Invesco. August 5, 2024. "What investors need to know about stock market corrections." https://www.invesco.com/us/en/insights/investors-stock-market-corrections.html. Accessed Nov. 21, 2024.

OUTLOOK
WEALTH ADVISORS, LLC

224 Ed English Dr., Ste A
The Woodlands, TX 77385
281.872.1515
info@outlookwealth.com
www.outlookwealth.com

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