630 Business Center Drive, Third Floor, King of Prussia, PA 19406 • www.tp-advisory.com
Phone: 610-254-0451 Fax: 484-580-8482

# Staying the Course

## in times of market volatility

TURMOIL ON WALL STREET OFTEN LEAVES MARKETS IN A STATE OF CRISIS, as was reflected by the Dow Jones Industrial Average's biggest point drop in history on September 29, 2008, a date that is etched into history as one of the largest market drops ever. As uncertainty, and the fear that follows, makes their way into the marketplace the results can lead to strong, quick and unexpected downward movements in the market.

Since December 31st, 1948 we have seen 13 instances of bear markets (a market downturn of 20 percent or more) and at some point during those bear markets, almost everyone invested in the stock market during those times questioned their decisions. The average duration of those 13 bear markets was 14 months and the average cumulative returns was -24.6 percent. All of those numbers can seem quite scary, but the reason why investors should remain in the market during those bear markets are the bull markets (a market upturn in which prices are rising or are expected to rise) that have followed. There have been 14 bull markets during that same time period which, on average, have lasted 43 months and provided a cumulative average return of 117.9 percent. So, remaining invested and staying the course may seem painful at times, but this course of action has, historically, provided significant rewards to investors.

During times of market volatility it is prudent for plan participants to review their investment strategies (e.g., "What is my risk tolerance? When will I retire? When will I need this money?") to ensure they remain on the most appropriate path. A new course of action is only warranted if it is more appropriate than the current path. Evaluating one's own situation—diversification among asset classes, having the appropriate mix and high enough contribution rates—is recommended and can lead to the most positive actions a participant may take in saving for retirement. Bailing out of the markets and a retirement plan is typically an imprudent action, which can be detrimental to reaching future long-term retirement goals. Data indicates that individuals attempting to time the market typically proves futile. Typically current market conditions rarely provide a clear direction as to where the markets are headed, or for how long.

The U.S. market in particular has been dynamic and resilient in moving on from crisis after crisis throughout the history of its existence. While the Great Depression may be too long ago for most to remember, it was not long ago we endured September 11th, the dot-com bubble and the financial crisis of 2008. The implications surrounding the recent volatility should remind plan participants to focus on what they should otherwise be doing on a regular basis: *Be mindful of the situation, but diligent about your investment strategy.* Participants need to act in their own best interests while Wall Street reacts to the present volatility, only to inevitably eventually experience another, followed by another recovery.

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**BULL MARKETS versus BEAR MARKETS (12/31/48–12/31/14)**

| | Bull | Bear |
|---|---|---|
| Occurrences | 14 | 13 |
| % of time in economic recessions | 48% | 52% |
| % of time in economic expansions | 82% | 18% |
| Average length (months) | 43 | 14 |
| Average annual return | 23.9% | -21.5% |
| Average cumulative return | 117.9% | -24.6% |

Source: Putnam research. Data illustrated using S&P 500 Index.

For more information or to enroll in the plan contact your benefits department or Brad Warner/Tom Padilla at TP Investment Advisory-610-742-6314.

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