A Turbulent Start to 2016

The beginning of the year has been a volatile one for the markets, sparking fear amongst investors and serving as a harbinger of possible things to come (for the rest of the year). In fact, the volatility we have seen in January is not only normal, but long overdue. The third quarter pull back of 2015 was a return to a more normal market volatility, which we’ve witnessed since the 1920s, something that has generally been missing since the financial crisis over seven years ago.

As our third quarter Market Volatility chart (see below) showed, declines of at least 10 percent happen frequently, averaging once every 11 months. Year to date, while the S&P 500 has not yet eclipsed this, it has gotten close. From its last peak, however, it has declined beyond 10 percent.[1] Perhaps somewhat more worrying is that a market decline of at least 20 percent, which has occurred once every four years may be just around the corner. Because 20 percent represents a bear market (a market where the stock market declines over a period of time) investors’ concern has increased as the 2016 slide extends and grows longer.[2] The long recovery in the U.S., coupled with slowing economies, notably China, and divergent global monetary policies only add to the uncertainty. These alone have been the primary drivers of recent volatility. The table below provides some historical perspective into the size and frequency of U.S. stock market declines from 1928 to 2013.

Decline of at least…	10%	15%	20%	30%	50%
Frequency	89 times	41 times	21 times	9 times	3 times
Average occurrence: Once every…	11 months	2 years	4 years	10 years	30 years

[3]

Tips to remember during turbulent times:

- ✓ **Review Your Portfolio.** Know your investment mix and be sure you are invested in the appropriate asset classes (based on your risk tolerance and time horizon to retirement). Times like these reinforce the need to diversify (While diversification does not guarantee against loss of principal, it can help spread your risk among different asset classes and market segments.)
- ✓ **Check Your Contribution Rate.** How much you contribute each month can directly impact how much you will have at retirement. Have you done a retirement needs calculation? Do you know how much you

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should be contributing each month to reach your goal? Are you increasing that amount each year or more often based on your income and age?

- ✓ **Rebalance.** This will readjust your portfolio back to your original investment strategy attempting to "sell high and buy low". Essentially, when you rebalance, you tend to sell some appreciated assets and purchase others with lower valuations. Regular rebalancing (as a rule of thumb, at least once a year) may increase the overall return of your portfolio over time.
- ✓ **Consult with a Professional.** Don't go it alone. Financial planning resources are available through our retirement plan consultant, TP Investment Advisory Services 610-254-0451 tpadilla@tp-advisory.com.

[1]Wall Street Journal
[2]RPAG
[3]Motleyfool.com. Obtained by analyzing daily data for the Dow Jones Industrial Average and S&P 500.

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