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• One Man's Opinions – Spring 2018

ONE MAN'S OPINIONS – Spring 2018 SURVIVING STOCK MARKET PULLBACKS

So far in 2018 the stock market has been up and down, with 17 days of more than 1% up or down movements. This is more than we had all last year. At one point we were down 11 percent, which qualifies as a market correction. Yet, here in mid-April the market averages are roughly even from their 12/31/17 averages. Frankly that surprises me. Given the bull market of the past nine years, and the healthy rallies after the Trump election as well as the passage of the tax reform bill, a deeper and longer market decline would be more likely. A breakeven year 2018 would be a winner so far as I can opine.

With every market cycle I find myself reminding readers not to panic. Pullbacks are normal. Very long bull markets, like the current one which started March 9, 2009, are NOT normal. Corrections are! We have had one. Now we are about even. I credit reduced taxes for this. I suspect that stimulus may well be over. But no wonder many investors are concerned, which is not a bad idea most of the time. Oddly, the best time to not be concerned is at the bottom of a bear (down) market. But few individuals are emotionally able to do so. Professional investors supposedly have learned to corral our emotions and take advantage of other peoples' fears. Some of them apparently have not.

The standard advice at times like this is to do nothing and stay the course. Sometimes though, when markets are at record highs, I urge my readers to let cash build up from income and sales in their portfolio. When market pullbacks occur I will then suggest committing some or all of this cash in whatever opportunities have emerged. But I have learned over the decades that selling aggressively when stocks are high usually finds one still sitting in cash long after the rally from the bottom occurs. Here are some suggestions on what to do in unsettled markets:

Don't keep to close an eye on your portfolio. Some investors, especially retirees, check the market several times a day. This action often triggers fear and panic.

I recommend checking your portfolio when your paper statement arrives, monthly or quarterly. In a declining market people sometimes often go on line and come to believe the world is coming to an end. This is often fed by media commentators who listen to short term market professionals who trade daily or weekly. Few individual investors are good at this. For most of us a "buy and hold" approach works best.

You should not completely ignore what you own though. Ask yourself a question. If all of a sudden you are 100% in cash "willyou buy the same stocks you own today?" "Are all my investments the best that they can be?" If the answer is no perhaps it is time to "weed the garden." All this ignores taxes of course, except in retirement accounts or other income tax free holdings.

Another strategy if you have professional management is to show your portfolio to several professionals. Of course they will have different concerns to share, but if they agree on certain points you might want to question your manager as to his or her actions or proposals.

Be careful if you are in your 50s and your retirement accounts are lagging. Rather than taking on riskier stocks, consider doubling your savings from, say, 10% to 20%, and keep your risk factor the same. At this point the children are probably out of college and that cash is freed up. Rather than spending it, it may well be appropriate to save more.

Whenever a couple is dependent on the same resources both of them should understand their investments. This is even more so in times of uncertainty, either personal or in the market or economy. Typically one spouse takes the lead on investments. Talking and updating your spouse frequently can relieve the worries you have been keeping to yourself, while at the same time getting a second opinion from your mate. They might think of things you don't.

They are almost all gone now, but in the World War II generation and those before that the men almost always handled the money matters, but failed to share the details with "the little woman." Since most women preferred to marry men older than they, and they lived longer, this often led to them coming into widowhood totally ignorant of their financial affairs. This was often a terrible worry for them and they are often victims of scam artists.

My own family was quite different. My mother, born in 1917 and a high school graduate, always handled the family finances. Dad got an allowance, called his "beer money." and mom did the rest. (He was well known for his ability to stretch two beers the entire evening.) The irony here is that later in life he was the City Clerk-Treasurer of my home town of 20,000 people, and was president or the Indiana State Clerk -Treasurers Association. But he apparently was never qualified to handle our family books.

If in retirement you find yourself short of money due to the stock market's failure to perform you can always look for more money. Downsizing your house for example, or not replacing the old car with a new payment. Or getting a part time job. This latter has been found to improve retiree's health, and their social network. Depending on your circumstances and background, consulting not only can fatten your wallet, but improve your self-image.

All these thoughts are offered to help you lower any anxiety you may have concerning your later years.

Tom McAllister, CFP

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