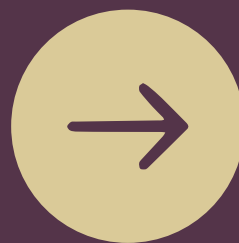


WHAT TO DO IN A DOWN MARKET



MARKET DOWNTURNS ARE INEVITABLE.
HERE'S WHY STAYING THE COURSE MATTERS.





Investors who actively participated in the stock market following the Great Recession of 2007-09 were fortunate to experience the longest-running bull market in history, the 11 years from March 9, 2009, through March 11, 2020.¹

Unfortunately, throughout history, and as evidenced by the COVID-19 recession that ended the most recent bull market, bull runs always end at some point.² The stock market itself has a natural life cycle that — like life itself — is destined to encounter peaks and valleys. Those scenarios frequently are preceded by events that impact market fundamentals or economic events, such as:

- Changes in interest rates
- New international trade negotiations, treaties and tariffs
- Fluctuating levels in the national debt
- Political controversies that impact national policies
- Global events that threaten economic stability
- Dramatic news headlines that shape investor sentiment

While each of these issues, and certainly all of them combined, generate cause for concern, it's important to remember that we have been in similar circumstances before; we will be there again; and in between, we will experience more periods of economic and investment prosperity.

One way to help assuage market-related anxiety is to consider observations made by renowned investment experts who have weathered many market ups and downs over the decades:³

“

A market downturn doesn't bother us. It is an opportunity to increase our ownership of great companies with great management at good prices.

~ Warren Buffett, chairman and CEO of Berkshire Hathaway

Your success in investing will depend in part on your character and guts and in part on your ability to realize, at the height of ebullience and the depth of despair alike, that this, too, shall pass.

~ Jack Bogle, founder and former chief executive of The Vanguard Group

History provides a crucial insight regarding market crises:
They are inevitable, painful and ultimately surmountable.

~ Shelby M.C. Davis, founder and former mutual fund manager at Davis Selected Advisers

”

INVESTMENT MARKETS GO THROUGH CYCLES

Basically, what this all means is that market corrections and even extended bear markets are all normal parts of the investment market life cycle. For reference:⁴

A “market correction” is a decline of 10% or more

A “bear market” is a decline of 20% or more



It is critical for investors to remember that what goes up inevitably comes down — at least where investment markets are concerned. Fluctuations are normal, and a decline in share prices offers the opportunity for investors to engage in a time-tested method for achieving more gains from well-established growth companies: buy low and sell high.

If companies — even steady, consistent growth performers — do not have the opportunity to reset prices, then investors would always have to buy at top-of-market prices to expand their position. However, when share prices drop, this is a window of opportunity to increase holdings in a reliable performer.

Another thing worth noting is that market corrections and bear markets are historically common, regular and generally short term. To illustrate this point, consider the table on the next page, which depicts corrections and bear markets from 1928 to March 2020 — noting the following points:

- Numbers in black denote a market correction
- Numbers in red denote a bear market
- Throughout this period, the S&P 500 experienced a correction or bear market every one to three years
- In those 90 years, there were only five time frames (highlighted) in which the index did not experience a correction or bear market for more than three years



S&P 500 CORRECTIONS & BEAR MARKETS SINCE 1928⁵

Peak Date	Trough Date	Peak Price	Trough Price	Percent Loss	Number of Days
5/14/1928	6/12/1928	20.44	18.34	-10.3	29
9/7/1929	11/13/1929	31.92	17.66	-44.7	67
4/10/1930	6/1/1932	25.92	4.40	-83.0	783
9/7/1932	2/27/1933	9.31	5.53	-40.6	173
7/18/1933	10/21/1933	12.20	8.57	-29.8	95
2/6/1934	3/14/1935	11.82	8.06	-31.8	401
4/6/1936	4/29/1936	15.51	13.53	-12.8	23
3/6/1937	3/31/1938	18.68	8.50	-54.5	390
11/9/1938	4/8/1939	13.79	10.18	-26.2	150
10/25/1939	6/10/1940	13.21	8.99	-31.9	229
11/9/1940	4/28/1942	11.40	7.47	-34.5	535
7/14/1943	11/29/1943	12.64	10.99	-13.1	138
2/5/1946	2/26/1946	18.70	16.81	-10.1	21
5/29/1946	10/9/1946	19.25	14.12	-26.6	133
2/11/1947	5/19/1947	16.14	13.77	-14.7	97
7/24/1947	2/14/1948	16.12	13.84	-14.1	205
6/15/1948	6/13/1949	17.06	13.55	-20.6	363
6/12/1950	7/17/1950	19.40	16.68	-14.0	35
1/5/1953	9/14/1953	26.66	22.71	-14.8	252
9/23/1955	10/11/1955	45.63	40.80	-10.6	18
8/2/1956	2/12/1957	49.74	42.39	-14.8	194
7/15/1957	10/22/1957	49.13	38.98	-20.7	99
8/3/1959	9/28/1960	60.71	52.48	-13.6	422
12/12/1961	6/26/1962	72.64	52.32	-28.0	196
8/22/1962	10/23/1962	59.78	53.49	-10.5	62
2/9/1966	10/7/1966	94.06	73.20	-22.2	240
9/25/1967	3/5/1968	97.59	87.72	-10.1	162
11/29/1968	5/26/1970	108.37	69.29	-36.1	543
4/28/1971	11/23/1971	104.77	90.16	-13.9	209
1/11/1973	10/3/1974	120.24	62.28	-48.2	630
11/7/1974	12/6/1974	75.21	65.01	-13.6	29
7/15/1975	9/16/1975	95.61	82.09	-14.1	63
9/21/1976	3/6/1978	107.83	86.90	-19.4	531
9/12/1978	11/14/1978	106.99	92.49	-13.6	63
10/5/1979	11/7/1979	111.27	99.87	-10.2	33
2/13/1980	3/27/1980	118.44	98.22	-17.1	43
11/28/1980	8/12/1982	140.52	102.42	-27.1	622
10/10/1983	7/24/1984	172.65	147.82	-14.4	288
8/25/1987	12/4/1987	336.77	223.92	-33.5	101
1/2/1990	1/30/1990	359.69	322.98	-10.2	28
7/16/1990	10/11/1990	368.95	295.46	-19.9	87
10/7/1997	10/27/1997	983.12	876.99	-10.8	20
7/17/1998	8/31/1998	1186.75	957.28	-19.3	45
7/16/1999	10/15/1999	1418.78	1247.41	-12.1	91
3/24/2000	10/9/2002	1527.46	776.76	-49.1	929
11/27/2002	3/11/2003	938.87	800.73	-14.7	104
10/9/2007	3/9/2009	1565.15	676.53	-56.8	517
4/23/2010	7/2/2010	1217.28	1022.58	-16.0	70
4/29/2011	10/3/2011	1363.61	1099.23	-19.4	157
5/21/2015	8/25/2015	2130.82	1867.61	-12.4	96
11/3/2015	2/11/2016	2109.79	1829.08	-13.3	100
1/26/2018	2/8/2018	2872.87	2581.00	-10.2	13
9/20/2018	12/24/2018	2930.75	2351.10	-19.8	95
2/19/2020	3/23/2020	3386.15	2237.40	-33.9	33

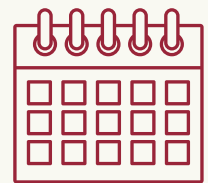
Despite all of those periods of market corrections, bear markets and numbers of days with negative returns, the S&P 500 posted an average annualized total return of approximately 10% over the past 90 years.⁶

DON'T DO ANYTHING DRASTIC

If you're not interested in buying more shares during a market decline, then the key may be simply to hold fast. Focus on other elements of your financial plan that you can control, such as paying down debt or purchasing a life insurance policy to help provide long-term financial protection for your loved ones.

It is crucial to remember that investing is a long-term endeavor. The goal should be less about outperforming indexes and more about giving an investment uninterrupted time in the market — time to experience periods of rising prices and time to recover from periods of declining prices. After all, even short periods out of the market can have a substantial impact on investment returns.

FOLLOW YOUR PLAN: THIS IS WHY YOU HAVE IT



One of the most important ways to help investors weather a down market is to have a financial plan already in place. There are many reasons for this. Establishing specific financial goals, a timeline for reaching those goals, an asset allocation strategy and a carefully constructed portfolio are all significant components of a financial plan.

However, a 2019 study by the Financial Planning Association, Janus Henderson and Investopedia revealed significant psychological benefits:⁷

73%

of respondents with clear financial goals reported feeling lower stress levels.

66%

of respondents who felt knowledgeable about their investments reported greater peace of mind.

3/4

of respondents with a written financial plan reported feeling more financially secure than those without.

Some reasons people avoid consulting with a professional financial advisor to develop a plan are they don't think they have enough assets to warrant a formal plan, they may believe they have a good grasp of their finances and/or they think it will be expensive or way too complicated.

However, setting aside all of those concerns, if you could achieve greater confidence in your investment strategy during a down market, that alone may be worth it to have a financial plan.

If you don't have a financial plan, or even if you do but you're feeling distressed over the current market environment, consult with a financial advisor. These professionals have day-to-day experience working in investment markets and can share insights that may help you get through periods of uncertainty.

TAKEAWAY: SHOULD A DOWN MARKET AFFECT YOU?



Once you've considered all the variables, you may reach the conclusion shared by many of the most successful investors and market commentators — that down markets are not necessarily negative events. While they can be unnerving, it's not always prudent to make changes to your portfolio.

A financial advisor can help walk you through the potential “what if” scenarios of a bear market or correction to help determine an appropriate investment strategy for your circumstances. For example, the closer you get to (or if you're in) retirement, the more impact timing of negative returns can have on your long-term financial goals. Factors such as future inflation and unknowable tax legislation also can impact your portfolio.

Financial advisors have experience working with these variables and helping clients both prepare for and weather down market cycles. If you have concerns or questions about the current market environment, contact your advisor.



¹ Aimee Picchi. CBS News. March 12, 2020. “The 11-year bull market is dead. Here's what a bear market means.”

<https://www.cbsnews.com/news/dow-jones-bear-market-level-the-11-year-bull-market-is-ending-heres-what-a-bear-market-means/>. Accessed Sept. 20, 2021.

² Scott Horsley. NPR. June 8, 2020. “It's Official: U.S. Economy Is In A Recession.” <https://www.npr.org/sections/coronavirus-live-updates/2020/06/08/872336272/its-official-scorekeepers-say-u-s-economy-is-in-a-recession>. Accessed Sept. 20, 2021.

³ Davis ETFs. “Wisdom of Great Investors – Quotes.” https://davisetfs.com/investor_education/quotes. Accessed Sept. 20, 2021.

⁴ Yardeni Research, Inc. March 23, 2020. “Stock Market Briefing: S&P 500 Bull & Bear Market Tables” <https://www.yardeni.com/pub/sp-500corrbeartables.pdf>. Accessed Sept. 20, 2021.

⁵ Ibid.

⁶ J.B. Maverick. Investopedia. Feb. 19, 2020. “What is the average annual return for the S&P 500?” <https://www.investopedia.com/ask/answers/042415/what-average-annual-return-sp-500.asp>. Accessed Sept. 20, 2021.

⁷ Financial Planning Association, Janus Henderson Investors, Investopedia. 2019. “Study: The War on Stress: A look at what's keeping financial advisors and investors up at night — and what they're doing about it.” http://www.fpafla.com/wp-content/uploads/2019/07/2019_The_War_on_Stress-report.pdf. Accessed Sept. 24, 2021.

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