INVESTING IS NOT EASY

Investing so far in 2022 has been rough. The financial markets have been in decline for the last consecutive 8 weeks. The major factors affecting the recent financial market volatility is raging inflation, rising interest rates, the war in Ukraine, the ongoing pandemic, and the fear of a potential recession. Any one of these items could create volatility, but when you combine all of them it creates uncertainty that financial markets don't like.

You may be wondering what you should do in response to the recent market volatility. I've spoken with several clients recently and I wanted to share a few of their stories. You may resonate with some of these situations and some of the concerns that others are facing.

Client 1:
A couple in their early-50s called concerned about their portfolio. They are actively contributing to their retirement accounts and concerned about continuing to put money into a dropping market. We talked about how they are buying shares at a much cheaper price today than last year. And, since they don't intend to withdraw from these accounts for 10+ years, opportunity for growth is on their side. Historically, every market decline has been followed by new record highs. If history repeats itself, they will be in good shape.

Client 2:
I talked to another client that plans to retire in a few years. With the market decline, he was concerned he may have to keep working longer. We updated his retirement income plan with the current values of his portfolio. We found his plan showed a slight decrease in the likelihood of achieving his goals. He decided to stick with his planned retirement date for now. However, we will keep a close eye on things and rerun his projections in six months. We did not make any changes to his portfolio as he was comfortable with the balanced and diversified portfolio he has, and he didn't want to lock in any losses by selling out now. He is going to hang tight.

Client 3:
I met with a couple in their mid-70s. They questioned if they should stay invested in the stock market. We discussed their balanced portfolio which consists of about 60% in equities and about 40% in fixed income, annuities, and cash equivalents. 40% of their portfolio is designed to be more stable, especially in times like this. 60% is designed to take advantage of times of growth. This balance has allowed them to earn 7% per year over the last 10 years (including the most recent drop). This probably wouldn't have occurred without the exposure to equities.

Client 4:

This client retired a few years ago and started an aggressive withdrawal strategy that he knew might not be sustainable over his life expectancy. When he started the withdrawals, we discussed the concept of being flexible as market conditions changed; potentially withdrawing larger amounts when the markets are performing nicely and, on the contrary, tighten the belt when markets are not doing well. This client chose to reduce his withdrawals now to increase the likelihood of having enough resources over his life expectancy.

Whether you identify with one of the clients above or not, the following information is good to keep in mind:

- According to JPMorgan, the S&P 500 increased 650.87%, or 16.49%, per year from March 9, 2009, through last Friday, May 20th, 2022. Equities can be an engine to power your portfolio to keep you ahead of inflation to maintain your purchasing power.
- On the downside, equities are volatile investments. This means that the value can drop. Needless to say, in order to achieve higher rates of return there will be some pain along the way.
- For investors that don't want the full exposure to this volatility, a balanced portfolio of equities and fixed income can provide some comfort.

Investing is not easy. This may be a rough ride but keep in mind historically every market decline has been followed by new record highs.

Sincerely,

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Source: J.P. Morgan Asset Management, *Guide to the Markets*

All indices are unmanaged and investors cannot invest directly into an index. Past performance is not indicative of future results. The S&P 500 Index is a broad-based measurement of changes in stock market conditions based on the average performance of 500 widely held common stocks. Diversification does not assure a profit or protect against a loss in declining markets.