

How did the stock market do today? Up? Down? Stayed the Same?

How did the stock market do over your lifetime? It was most definitely up!

Turn on the morning news and there is a good chance that you will hear a report about how the stock market is performing at the moment. Today, at the close of the market on October 28, 2019, the Dow Jones is currently up 0.49% just under the 27,000 mark. The Nasdaq Composite is up slightly more at 1.01% and the S&P 500 up 0.56%.

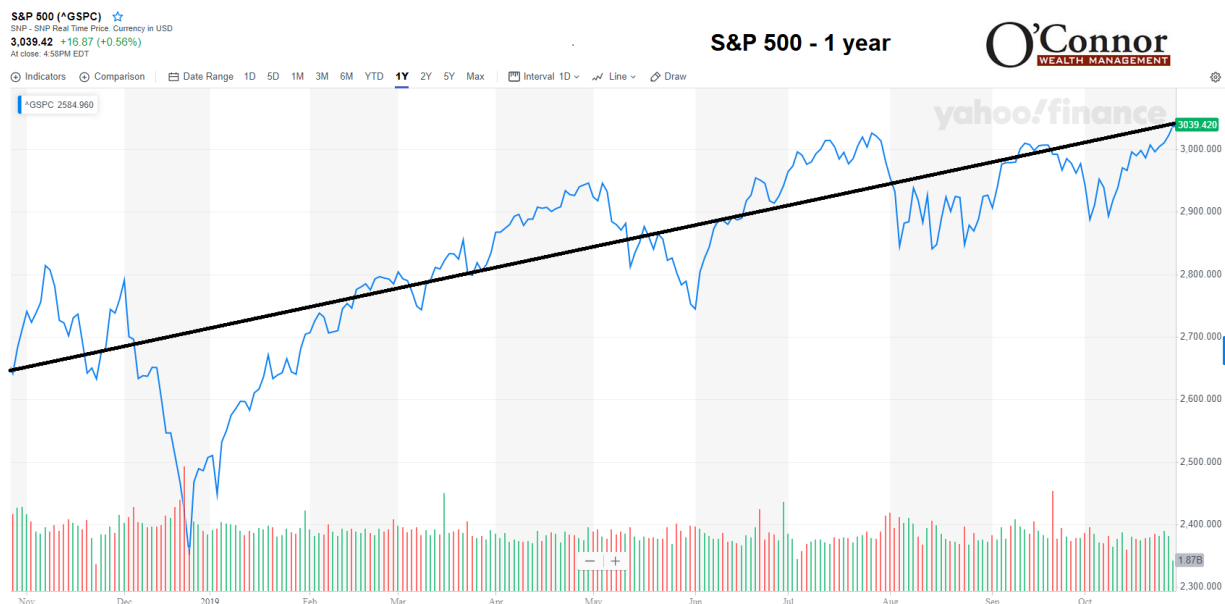
What does any of this mean to the average investor? Nothing!

Each of these major indices (Dow Jones, S&P 500, and NASDAQ) measures the performance of different companies in different ways. For this piece, when we use “stock market”, we are limiting our focus to the S&P 500 since it is a broad index of 500 companies of various sizes and industries.

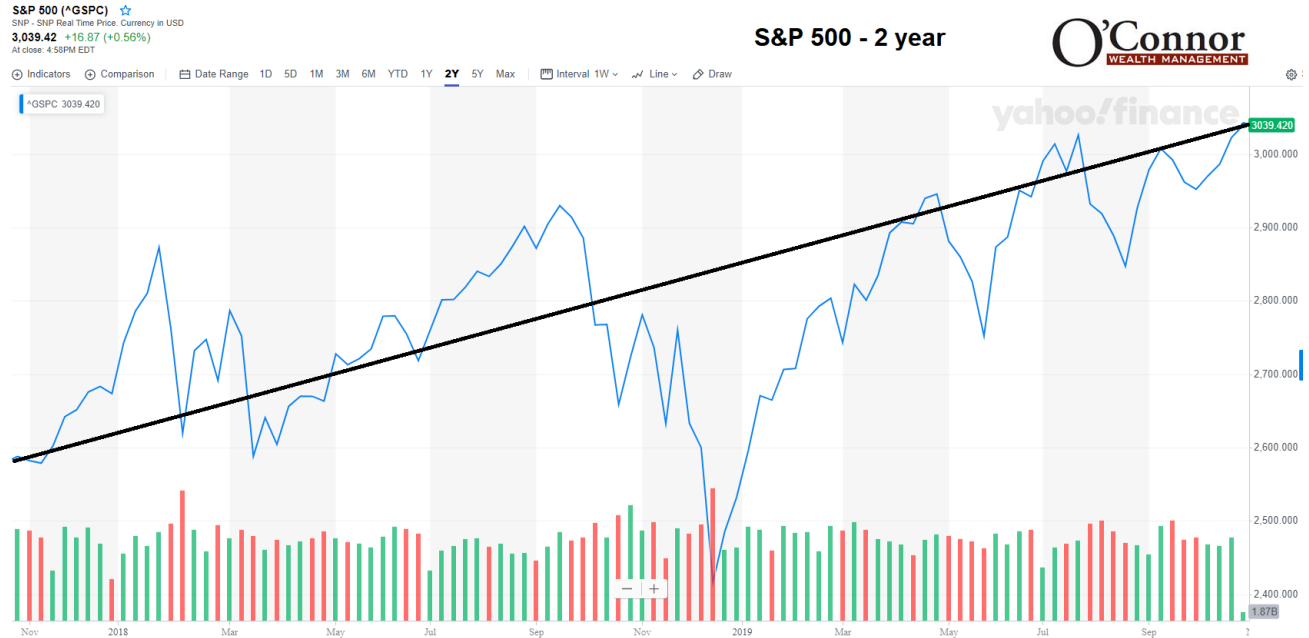
If asked, “How is the stock market doing?”, how would you answer? If you’re like us and keep up with the daily (if not hourly) news updates, you might think there was turmoil in the financial markets. Doom and gloom sell, and, despite the need to remain realistic about your financial futures, the overall global economy is strong even if there are a few trade deals to work out. How do we make this determination?

Using the information that we take in from the media, articles, friends and family, etc., we form an idea. To fill in the gaps, our mind makes generalizations with the information available to best complete the picture. Based on the information that this client had taken in, they made the determination that because the market had been down most recently that it was down overall for the year. Psychologists call this “recency effect.”

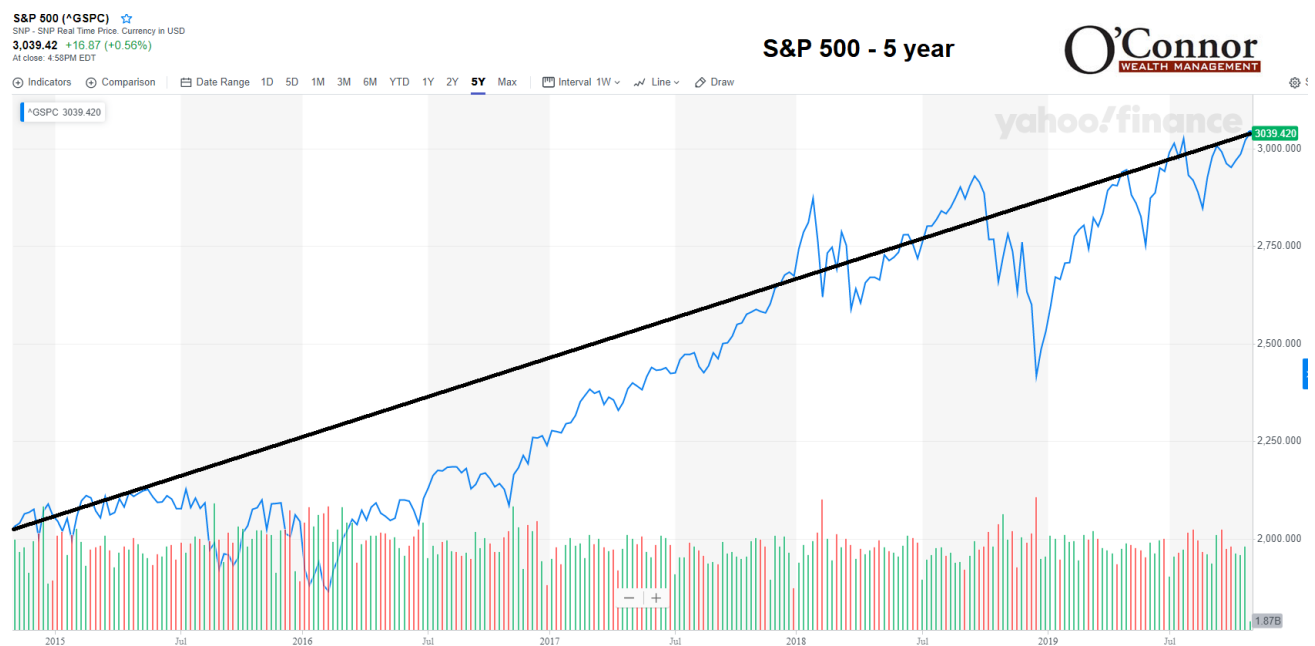
Looking at the chart below which tracked the S&P 500 from October 29, 2018 (**1 year ago**) until today, we can see the S&P 500 is nearly 15% ahead of where it was even considering the pull back at the end of 2018. Let this illustrate an important point, in the short term, the stock market is volatile and large changes can take place. To understand where we are in the market, we have to know where we started.



What about over **2 years**? Looking at the chart below which begins 2 years ago, we see that the S&P 500 is just below where it was 1 year ago. We see the drop that occurred in December 2018, but the market came back and continued higher.



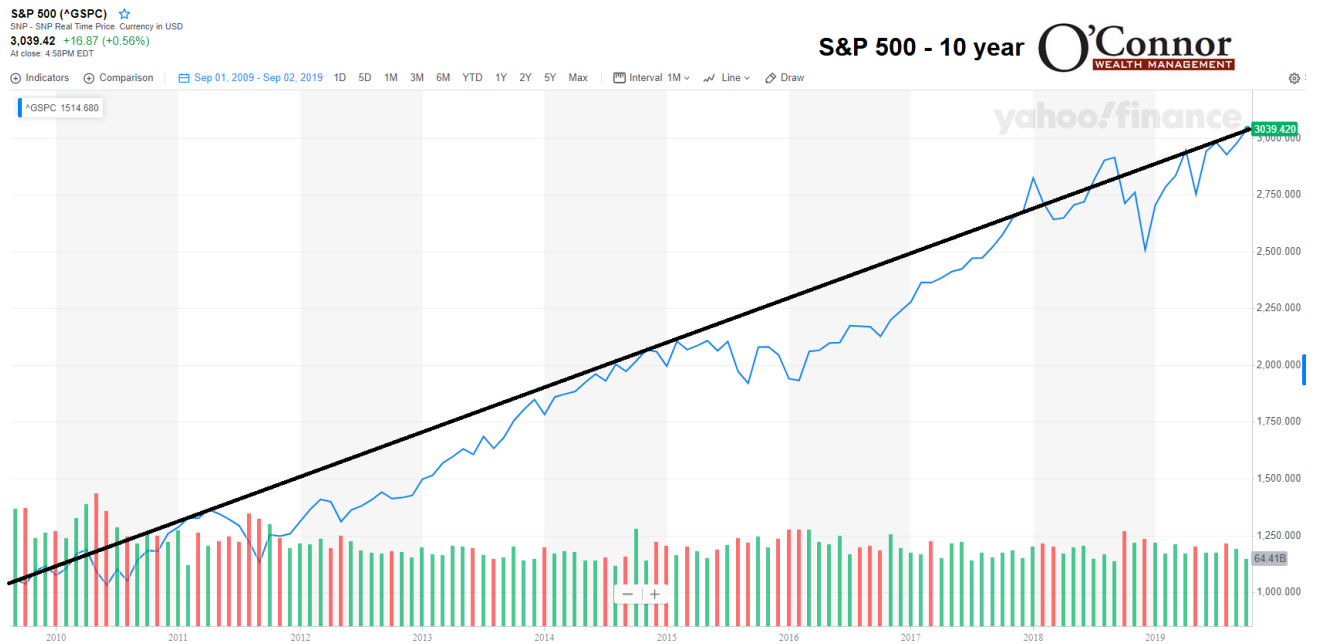
Let's keep this going to **5 years**. Back at the end of October 2014, the S&P 500 was just above 2,000. We see several points of volatility over short periods of time; however, we have steady increasing performance. This best exemplifies that the news media do not discuss the overall performance of your portfolio. Your investing goals are likely long term and we should keep our focus long term: continually reminding ourselves that positive returns exist in the stock market if we keep out of our own way and keep out of fear in the short term.



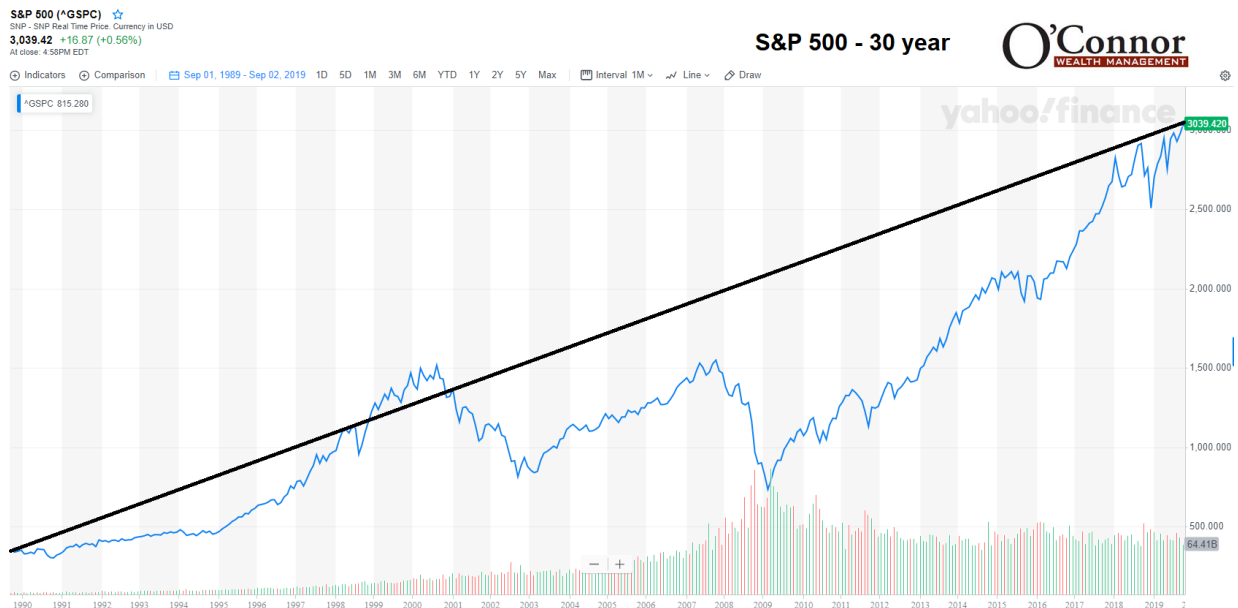
What about the recovery period after the “Crash of 2008”? Going back **10 years** to 2009, the S&P 500 had come off the low in 2008 and was gaining from 1,250. If you stayed invested between 2006 and 2011 after the “crash”, you would be right about at the same place. Due to fear, lack of information, uncertainty, family/friend “experts”, etc., people get out of the market at the worst time.

They sell when they should be staying put, if not buying more stock, and they buy when everyone else is buying.

By waiting out the down markets and understanding the fundamentals, we want you to recognize that YOU will be better off in the long run if you can stay out of your own way.



Let's finish this off with an image of the S&P 500's performance over the past 30 years. Were there big drops during the period? Absolutely! Did account values go down? Of course! Did they lose money? Not if they didn't sell during the down periods and held on. If investors stayed the course, continued contributing to their retirement and/or investment portfolios, they would be much better off than where they started!



Nothing happens without a plan, and, by sticking to that plan with the help of advisers like ours, you can ensure that you and your family's achieve your goals.