O'Connor WEALTH MANAGEMENT

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 now. At the close of the market on December 29, 2023, the Dow Jones closed just under 38,000. The Nasdaq Composite is down slightly as is the S&P 500.

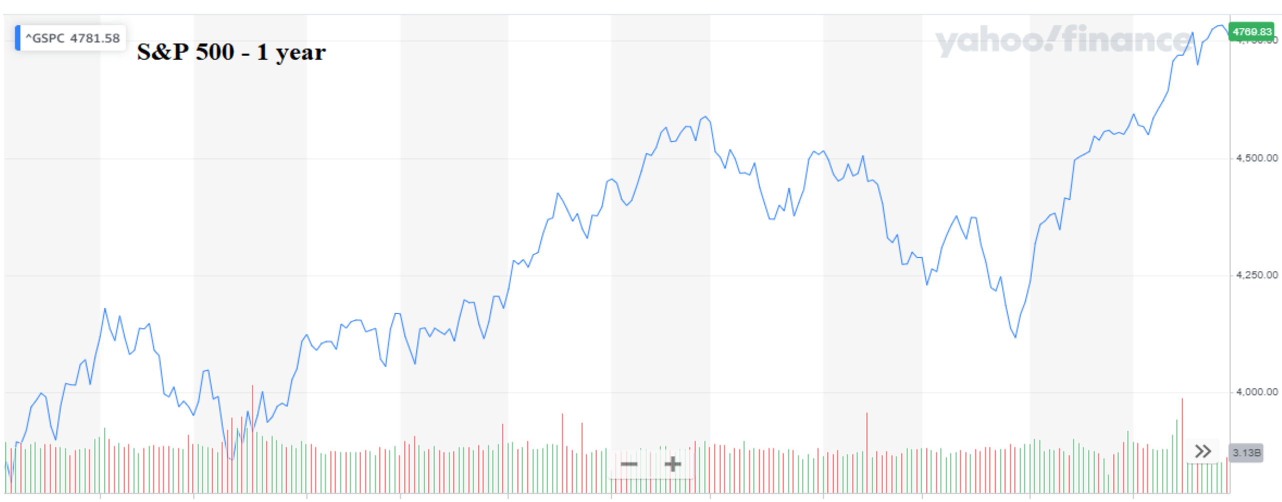
What does any of this mean to the average investor? Nothing!

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 future, the overall global economy is strong even if there are a few trade deals to work out. How do we make this determination?

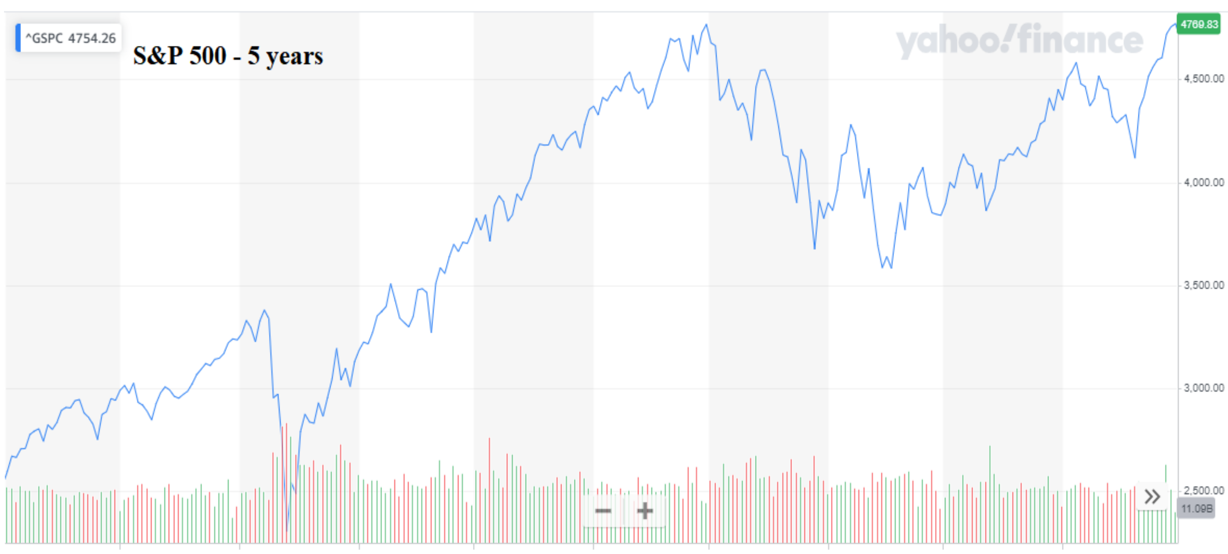
Using the information that we take in from the media, articles, friends and family, etc., we form an idea. To fill in the gaps, our mind makes generalizations using information available to best complete the picture. Based on the information that this client had taken in, they made the determination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

Looking at the chart below which tracked the S&P 500 during 2023, we can see the S&P 500 closed the year nearly 24% ahead of where it started. Over the past 12 months, we've had plenty of large down days, but 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 at the start of 2022, we see that the S&P 500 opened in 2022 slightly below where it ended up two years later. We see a large amount of volatility during 2022 as the Fed rapidly increased interest rates, but, despite this short-term decline, the market ultimately came back.

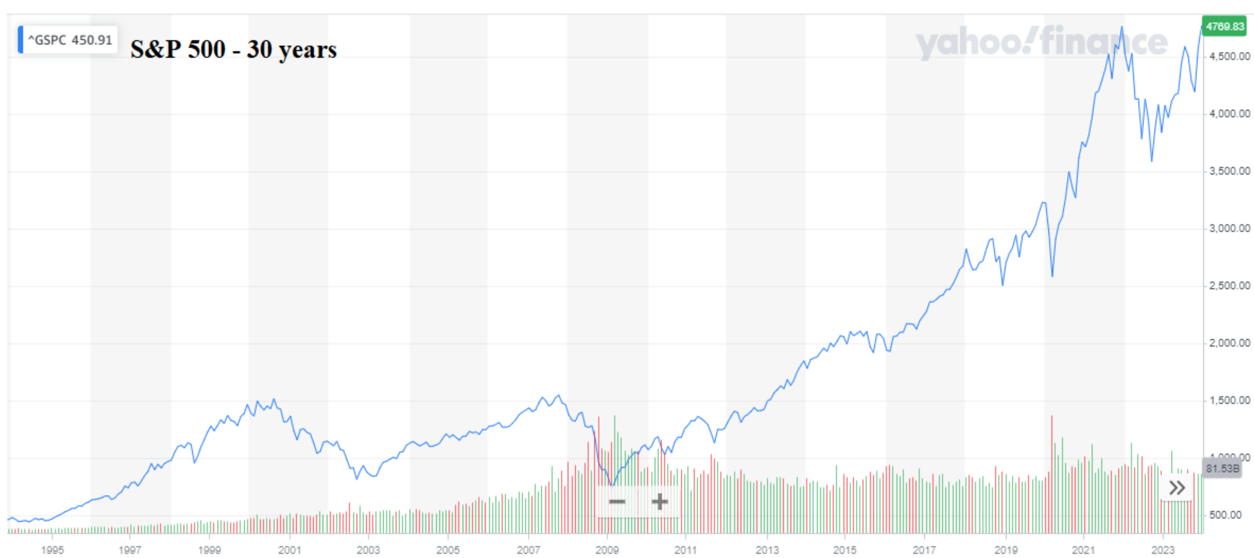
Let's keep this going over the past **5 years** to the beginning of 2019. The S&P 500 was just under 2,600 at the start of the period, and we see the rapid decline in the market which occurred in March 2020 during the start of the global pandemic during 2020. Within 4 months of this decline, the market had recovered to where it was before the pandemic and then continued upwards another 27% through the end of 2022. 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 stay out of fear in the short term.



Going back **<u>10 years</u>** to January 2014, the S&P 500 opened the year just over 1,800 and was in the middle of a steady rise since the "Crash of '08". If you stayed invested between 2006 and 2011, 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 large drops during the period? Absolutely! Did account values go down? Of course! Did investors lose money? Not if they stayed the course and didn't sell during the down periods. If investors stuck to their long-term plans to achieve their long-term goals and continued contributing to their retirement and/or investment portfolios, they would have ended up much better 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.

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