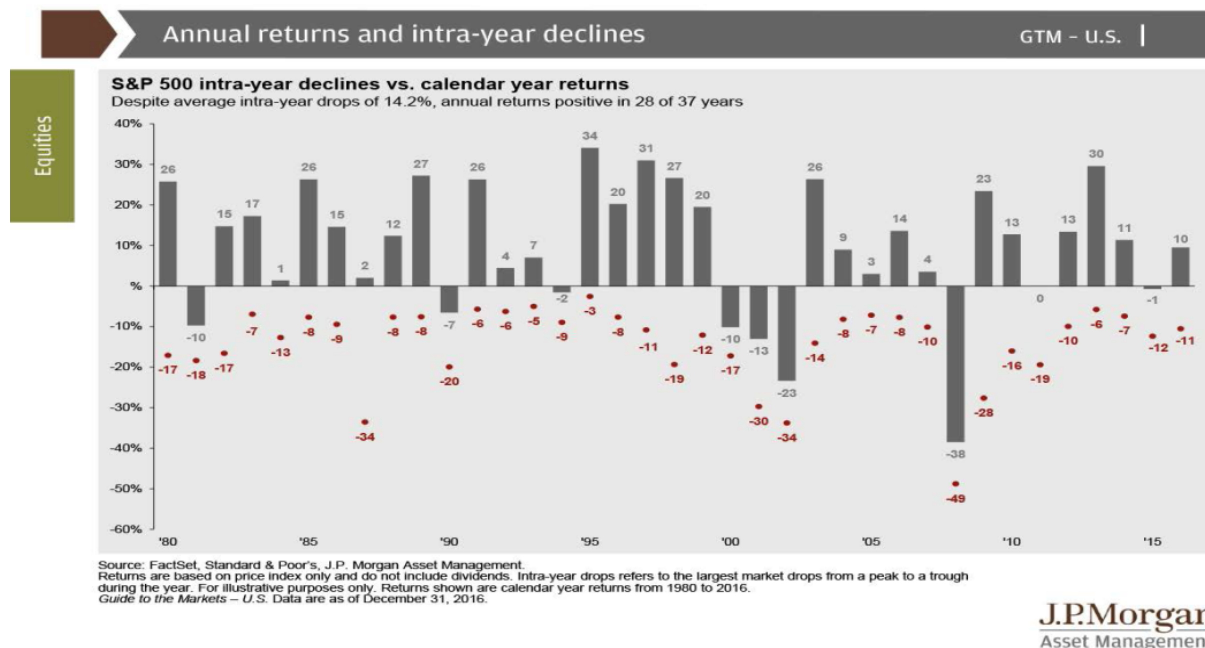
skv group

faith . discipline . patience

If I could only share a few charts on investing this would definitely be one of them. I know that you know not to sell when the market drops. We all know that. Until the market drops. Therefore, consider this your booster shot to resist the urge to analyze and act whenever your account value drops, and to resist media's scaremongering – if it bleeds, it leads.



Stock price drops are so normal that, in each calendar year since 1980, we have seen, on average, a 14.2% drop (using the S&P 500 index as a stock proxy) – see graph. With these 37 years as a guide, if you had $1 million invested in a diversified stock portfolio on January 1 you would experience a drop of around $142,000 within ***each year****. On average. Yet, by December 31 your portfolio would have grown by 10% to $1,100,000. This would be normal.*

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Investment products and services are offered through Wells Fargo Advisors Financial Network, LLC (WFAFN). SKV Group is a separate entity from WFAFN.

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In the last bear market (bear market: a peak-to-trough drop of at least 20%) the S&P 500 index dropped 57% between October 9, 2007, and March 9, 2009 – 17 months. This was the biggest drop since the depression. Yet, the unlucky investor who put money in these 500 large U.S. corporations at the 2007 peak found himself breaking even after 4.5 years. Said another way: even with the horrific crash of 2008/2009 there was not a single long-term diversified stock investor who in 2012, as measured by the S&P 500, had lost money! Unless, as is too often the case, he reacted and got out of stocks.

Historically, all drops in stock markets have been followed by recoveries and further increases to new highs. All drops, every time. Whenever we experience another drop remember that "this, too, shall pass".

Jorgen Vik, CFP® CAP®
CERTIFIED FINANCIAL PLANNER™
Partner
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* The opinions expressed in this report are those of the author(s) and are not necessarily those of WFAFN or its affiliates. The material has been prepared or is distributed solely for information purposes and is not a solicitation or an offer to buy any security or instrument or to participate in any trading strategy.

**source for S&P 2007 – 2009 drop, aftermath, and historical references: http://www.macrotrends.net/2324/sp-500-historical-chart-data*

*All indexes are unmanaged and an individual cannot invest directly in an index. Index returns do not include fees or expenses. The S&P 500 Index is widely regarded as the best single gauge of the U.S. equities market. The index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. The S&P 500 Index focuses on the large-cap segment of the market; however, since it includes a significant portion of the total value of the market, it also represents the market.

*The price of equity securities may rise, or fall because of changes in the broad market or changes in a company's financial condition, sometimes rapidly or unpredictably. These price movements may result from factors affecting individual companies, sectors or industries, or the securities market as a whole, such as changes in economic or political conditions. Equity securities are subject to "stock market risk" meaning that stock prices in general may decline over short or extended periods of time.

*Stocks offer long-term growth potential, but may fluctuate more and provide less current income than other investments. An investment in the stock market should be made with an understanding of the risks associated with common stocks, including market fluctuations.

*The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted index with each stock's weight in the Index proportionate to its market value.

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