



faith . discipline . patience

Has the recent drop in stock prices made you consider getting out of stocks? To prevent further losses? As of this writing the S&P 500 is down 8.3% since its most recent peak on January 3rd.

A drop exceeding 10 percent is called a correction. Historically, according to Barron's, we have a correction about once a year.

The Nasdaq index which holds more technology companies is already off by 13.2 percent since its recent peak on December 27. So, already in correction territory.

However, many ask if we're headed for a bear market, typically defined as a 20 percent drop from its most recent high?

If you're asking these questions I believe your mind is on the wrong track.

Worrying about a bear market and losing money is understandable but acting on this worry is more about pain avoidance than investing. It is also a way to time the market.

'All the same, I think I'll sit out for a while, to avoid the next big drop. Then I'll get back in later.'
But will you, though?

If you got out of stocks and the market subsequently tanked I think chances are you'd feel vindicated. Maybe smart, even. And you'd see all the horrible headlines in the news (something wasn't going well for the market to tumble) and quite possibly conclude stocks are a bad investment and remain out.

Seriously, have you noticed how, when the market is going up, pundits seem to focus on all the reasons it's too high, and when it's going down that it makes a ton of sense?

I remember loud warnings in the summer of 2009 after stock markets had bounced back significantly from the extreme bottoms of the financial crisis.

'If you're buying at these prices you must be smoking something.'

At the time the Dow Jones Industrial index was around 9,000. Today, it's in the mid-30,000s.

Take comfort in how normal these drops are. We have them often, just not regularly.

I think the best way to harness the long-term potential of stock investing is to roll with the drops and have enough stable investments on the side to avoid having to sell stocks any time soon.

Good luck.

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