



TEAM TALK

Prepare for the Next 10%+ Market Decline

April 2021

With the latest fiscal policy proposal from the current administration, capital gains taxes (and all taxes) are looking to go higher. The stock market did not respond well to this (and probably won't moving forward as we learn more about the plan details).

What is an investor to do?

As we preach regularly, "The best time to buy umbrellas is when the sun is shining!" Here are five ways to help you cope with future market declines that are inevitable:

1. **Train the Brain.** Look at your current portfolio value, imagine it being worth 10 percent less and then be OK with it. If this is too painful, make a change to your level of risk.
2. **Diversify.** Oldest idea in the book. This still may work well as owning fixed income (which had been underperforming lately) and alternative asset classes (like gold or energy) can offset equity decline.
3. **Value Dividend Investments.** Own dividend paying stocks that allow you to feel good to be a stock owner and realize these dividends are paid regularly to you.
4. **Keep What You Need.** Make sure you have 6-12 months of expense needs available in cash at your bank to get through market volatility.
5. **Don't Look and Just Keep Swimming.** If you find yourself looking and worrying, it tells you the allocation you have is not the best fit. Most money made in the market is right after the market bottoms. Often, most investors won't be buyers at this time. Thus, avoid that decision and wait it out!

The bottom line here is this - the market will decline at least 10 percent on average once every year. It will continue lower and be a bear market on average once every 3-4 years. We are due. No one can predict when or how much it will decline. So use these tips to control what you can and realize in the longer term you can stay on track to reach your goals within your financial plan!



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