



Don't Believe That This Bear is Different – It's Not

Bear markets are painful, but they are also part of the investment process

Bull markets happen. Bear markets happen. Just stick to your financial plan, and stay calm and disciplined. When the market sours or slumps, don't believe talk that this bear is different. It is not.

History shows this is true. When markets decline, they do so rapidly and painfully. The subsequent recovery is slow and uneven. But it does inevitably happen. If you take the longer view, it's clear that markets almost always grow past previous highs after a dip.

Five Bear Perspectives

Here are 5 things to remember:

1. **Bear markets are normal.** There have been 26 bear markets in the S&P 500 Index since 1928. On the other hand, there have been 27 bull markets.
2. **Stocks lose 36% on average in a bear market.** On the other hand, stocks gain 114% on average during a bull market.
3. **Bear markets are shorter.** The average length of a bear market is 289 days (about 9 ½ months). On the other hand, the average length of a bull market is 991 days (about 2 ¾ years).

4. **Every 5 ½ years:** Between 1928 and 1945 there were 12 bear markets, or one about every 1.4 years. Since 1945, there have been 14 – that's one about every 5 1/2 years. In other words, if you invest for 50 years, expect to see about 10 bears.
5. **Bear markets can be painful, but markets are positive most of the time.** Of the last 92 years, investors saw bear markets for about 20 of those years. Said differently, stocks have been positive about 78% of the time.

Have a Plan

There are no investment strategies that give you the market's ups while allowing you to completely avoid the downs, save for luck. Fear and greed are irrational emotions that easily lead to bankruptcy if they influence your investment decisions.

Of course, it is hard to stay patient and hold when Wall Street analysts, investment gurus and financial TV pundits spout endless gloom and doom at the troughs and exuberant optimism at market peaks. Short-term thinking like this only guides you to do the wrong things at the wrong time.

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This is why it helps to work with an advisor – someone to cool your head when irrational exuberance strikes, and convince you to stick to your plan in the face of uncertainty. No matter what the markets are doing, assure yourself that this time is not different.

History is on your side. For the world keeps going on and on. A speed bump rises and we go over it and the economy doesn't end. But the next week, there is another speed bump, then another.

All you have to do is stay on plan.

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