

focus  n[®]

Surviving Market Swings

Investment Strategies for Uncertain Markets

PREVIEW



Contents

Introduction	3
Factors That Cause Market Volatility	3
Historical Perspective on Market Cycles	3
Factors That Influence the Economy and the Financial Markets	5
Outlook for the U.S. Economy in 2023	5
Four Steps to Building a Stronger Portfolio	5
Develop a Sound Financial Strategy	6
Investment Objectives	6
Time Frame	6
Risk Tolerance	6
Risk Tolerance Quiz	7
Types of Investment Risk	8
Inflation and the Loss of Purchasing Power	8
Assess Your Investment Options	9
Investment Vehicles	9
Why Invest in Stocks?	9
Fundamental Measures of Value and Volatility	10
Bonds	10
Bonds and Interest-Rate Risk	11
Low-Yielding Cash Alternatives	11
Understanding Capital Gains and Losses	12
Tax-Deferred Plans and the Potential for Growth	12
Focus on the Fundamentals	13
Diversification	13
Asset Allocation	14
Dollar-Cost Averaging	14
Put It All Together	16
What Can You Learn from Historical Performance?	16
Unpredictability of the Financial Markets Over Different Time Periods ..	17
Taking Time Off from Investing in the Stock Market	17
Overcoming “Bad” Behavior	18
Are You an Investor or a Speculator?	18
Can You Do It All Yourself?	19
What to Bring	back cover

This material was written and prepared by Broadridge Advisor Solutions.

Copyright by Broadridge Financial Solutions, Inc. All rights reserved. No part of this publication may be copied or distributed, transmitted, transcribed, stored in a retrieval system, transferred in any form or by any means—electronic, mechanical, magnetic, manual, or otherwise—or disclosed to third parties without the express written permission of Broadridge Advisor Solutions.

The information contained in this workbook is not written or intended as tax, legal, investment, or retirement advice or recommendations, and it may not be relied on for the purpose of avoiding any federal tax penalties. You are encouraged to seek guidance from an independent tax or legal professional. The content is derived from sources believed to be accurate. Neither the information presented nor any opinion expressed constitutes a solicitation for the purchase or sale of any security.

Broadridge assumes no responsibility for statements made in this publication including, but not limited to, typographical errors or omissions, or statements regarding legal, tax, securities, and financial matters. Qualified legal, tax, securities, and financial professionals should always be consulted before acting on any information concerning these fields.

Introduction

Factors That Cause Market Volatility

The financial markets are frequently beset by challenges. Political uncertainty, international conflicts, interest-rate decisions, and economic shifts — both here and abroad — can spur volatility in the financial markets. And often it's a case of *when* and not *if* it happens.

Your plans for the future shouldn't have to depend on daily fluctuations in the stock market. Gains and losses are part of investing. By using deliberate, time-tested approaches, you may be able to pursue your goals without feeling as though you need to constantly adjust your portfolio to react to today's news.



Historical Perspective on Market Cycles

Realizing that markets move in cycles might help keep you stay calm in the face of market volatility.

A **pullback** is typically defined as a 5 percent to 10 percent dip in a market index (such as the S&P 500 or the Dow Jones Industrial Average) from a recent high. When the market closes 10 percent to 20 percent below its 52-week high, it is considered to be a **market correction**.

A **bear market** is typically defined as a decline of 20 percent or more from the most recent high, and a **bull market** is an increase of 20 percent or more from a bear market low.

There's no way to know what the defining moments of 2023 will be, but you can count on market swings to challenge your patience as an investor.

Keep in mind that the value of stocks fluctuates with market conditions. Shares, when sold, may be worth more or less than their original cost.



Introduction

11-Year Run

The bull market that began in March 2009 — the longest in U.S. history — ended in 2020 after about 11 years.

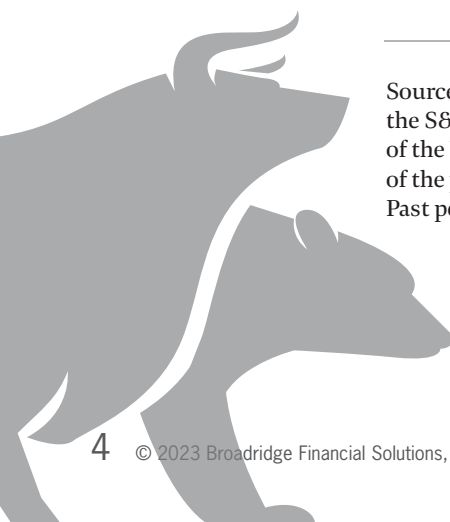
As you can see on this table, worries about the spread of COVID-19 sent U.S. stocks into a bear market in early 2020 — but it lasted just 33 days. More recently, the benchmark S&P 500 index began to fall in January 2022 and descended into bear market territory in June 2022.

There have been nine bear markets since 1960. On average, bull markets lasted longer than bear markets over this period, and the average bull market advance (194.9%) was greater than the average bear market decline (-37.2%).

The takeaway is that neither the ups nor the downs last forever, even though they may feel as though they will.

Bear Markets Since 1960	Calendar Days to Bottom	U.S. Stock Market Decline (S&P 500 index)
December 1961 to June 1962	196	-28.0%
February 1966 to October 1966	240	-22.2%
November 1968 to May 1970	543	-36.1%
January 1973 to October 1974	630	-48.2%
November 1980 to August 1982	622	-27.1%
August 1987 to December 1987	101	-33.5%
March 2000 to October 2002	929	-49.1%
October 2007 to March 2009	517	-56.8%
February 2020 to March 2020	33	-33.9%
January 2022 to ?	?	?

Source: Yahoo! Finance, 2023, for the period 12/12/1961 to 12/31/2022. Stocks are represented by the S&P 500 index, an unmanaged group of securities that is considered to be representative of the U.S. stock market in general. The performance of an unmanaged index is not indicative of the performance of any specific investment. Individuals cannot invest directly in an index. Past performance is not a guarantee of future results. Actual results will vary.



Factors That Influence the Economy and the Financial Markets

When developing your financial strategy, it's important to consider how overall market conditions might affect your portfolio — now and in the future. You want to position yourself financially for a range of possibilities, taking into account the factors that may influence the economy and the financial markets, such as:

- Inflation/Interest rates
- Energy prices
- International trade
- Consumer spending
- Corporate profits
- GDP growth
- Employment conditions
- Home prices



Outlook for the U.S. Economy in 2023

The FOMC's economic projections called for scant or even negative U.S. GDP growth in 2023, ranging from -0.5% percent to 1.0 percent, with a median of 0.5 percent.

A majority of economists in *The Wall Street Journal's* October 2022 Economic Forecasting Survey believed the United States would enter a recession within the next 12 months. The average expectation was for a relatively mild downturn lasting about eight months.

Even a brief recession would likely cause some job losses and other temporary financial hardship, but it may be the necessary price to tame inflation and put the U.S. economy on a more stable track for future growth. Forecasts are based on current conditions, are subject to change, and may not come to pass. The economy could grow faster or slower than projected.

The Federal Reserve, December 2022; *The Wall Street Journal*, October 16, 2022

"No one knows whether this process will lead to a recession, or if so, how significant that recession would be."
— Jerome Powell, September 21, 2022

Four Steps to Building a Stronger Portfolio

Are you confident that you have positioned yourself to weather changes in the economy and the financial markets? Many investors are concerned about how recent events may affect their finances. To potentially benefit during good times and bad, consider sound ways to help pursue your goals.

- 1 Develop a Sound Financial Strategy
- 2 Assess Your Investment Options
- 3 Focus on the Fundamentals
- 4 Put It All Together