Welcome to our surviving market swings seminar. We're glad that you could join us here today.

Before we get started, I'd like to introduce myself and my company.

[Note to presenter: Give a brief personal background, then talk about your organization and give its location. If appropriate, introduce other members of your organization who are in the room and discuss any housekeeping issues.]

PREVIEW

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We use seminars like this one to introduce ourselves and to develop strong working relationships with members of the community like you.

Our commitment extends beyond simply offering financial services. We are committed to helping you evaluate your financial situation and giving you tools to help make informed decisions and pursue your financial goals.

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We hope that after attending the seminar, you'll want to meet with us in our office. This is a complimentary, no-obligation consultation that we offer to everyone who attends our seminars. During that meeting, we can discuss any questions you have as a result of what we discuss here. If you prefer, we can use that time to examine your specific situation and begin the process of helping you formulate a financial strategy that will suit your needs.

We know that we'll establish a working relationship with you only when *you* are confident that we can be of service. We want you to understand your options and to know how you may benefit from working with us.

The information in this presentation 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 based on your individual circumstances.

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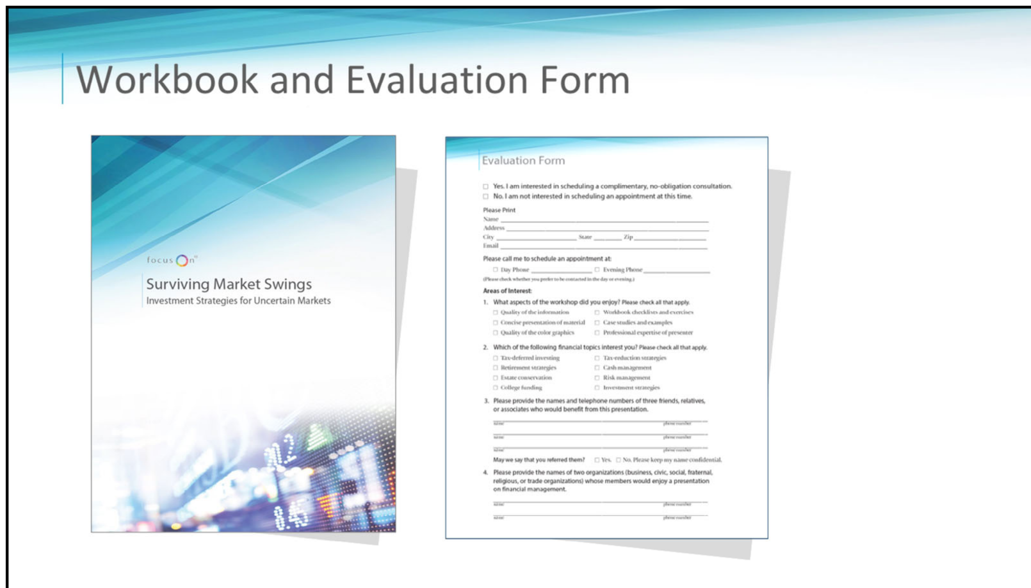

Let’s talk about the workbook you received as you entered.

We’ve found that people are more likely to remember something they act on rather than something they only hear about. That’s why we designed this workbook so you can apply what you learn to your situation. In it you’ll find helpful materials that reinforce the seminar’s major points and will be a valuable resource for you.

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Feel free to highlight, underline, or make notes in whatever way serves you best.

Inside your workbook, you’ll find an evaluation form just like this one.

[Note to presenter: Pull out an evaluation form for your seminar participants to see.]

At the end of the presentation, please use this form to tell us whether you’re interested in taking advantage of the complimentary, no-obligation consultation.

We’d like to make you two promises concerning this form. First, if you check “Yes, I am interested in scheduling a complimentary, no-obligation consultation,” we’ll call you in the next couple of days and set up an appointment. Second, if you check “No, I am not interested in scheduling an appointment at this time,” we won’t call you directly after the seminar.

In exchange for these two promises to you, please promise that you will fill out this form. Many seminar attendees do come in for a consultation, so we’ve set aside time just to meet with you.

When you do come to our office, feel free to leave your checkbook at home. We are very interested in developing working relationships with you, but that decision is yours.

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

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It's only natural to be concerned when the market drops, but expecting volatility and having a sound financial strategy in place may be the best defense when events roil the markets. This might also help prevent you from making emotion-based investment decisions.

In 2022, the stock market buckled in response to high inflation — which was worsened by Russia's war against Ukraine — and fears that the Fed's aggressive interest-rate hikes would bring on a recession. When the market's momentum shifted, the prices of overvalued tech stocks plunged and dragged the broader market down with them. The benchmark S&P 500 Price Index fell 19 percent — its worst annual performance since 2008.[1]

While the S&P 500 is generally considered representative of the U.S. stock market overall, the three previous years of double-digit gains were powered by the growth of a small number of large technology companies. Their size gives them a heavy influence on index performance — whether the market is moving up or down. In fact, the stocks of just five tech giants accounted for about one-fourth of the market's losses in 2022.[2]

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.

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.

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.

Source: 1) S&P Dow Jones Indices, 2022; 2)*The Wall Street Journal*, January 1, 2023

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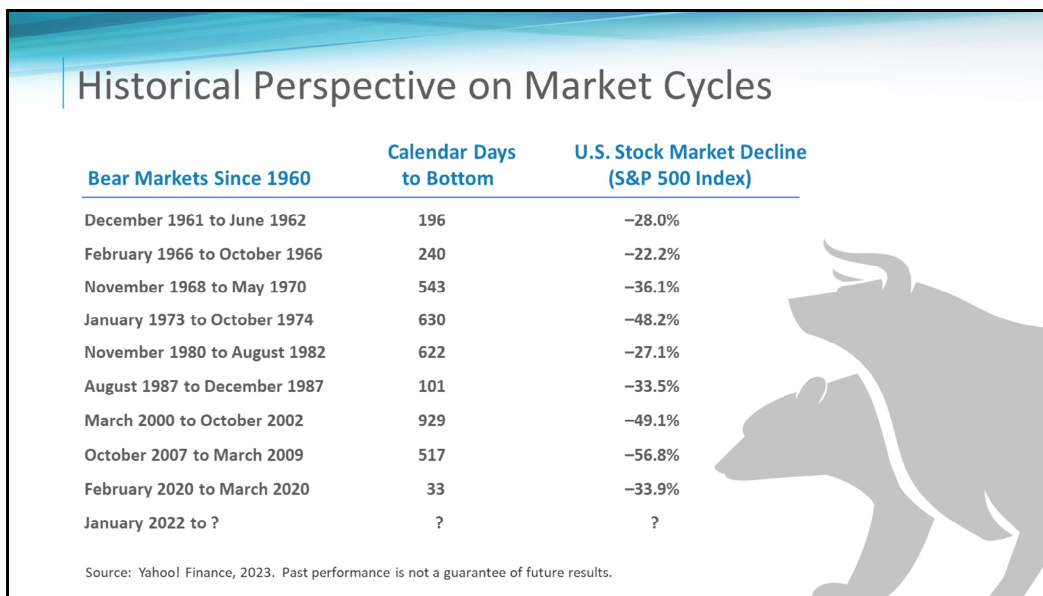

Historical Perspective on Market Cycles

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. Past performance is not a guarantee of future results.

Remembering that markets are historically cyclical might help you stay calm in the face of market volatility. Do you know the difference between a market pullback, a market correction, a bear market, and a bull market?

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

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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.

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 — for the first time in nearly 11 years. That bear market was the shortest on record, lasting 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.

Since 1960, there have been nine bull markets and nine bear markets (prior to the one that began in 2022). On average, bull markets lasted longer (2,014 days) than bear markets (423 days) over this period, and the average bull market advance (194.9 percent) was greater than the average bear market decline (–37.2 percent).

The market swings that accompanied the past two recessions (2008–2009 and 2020) demonstrate why overreacting in fear can result in even greater losses. Investors who panicked and sold stocks when prices were falling may not have been positioned to participate fully in the market recovery.

The return and principal value of stocks fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost.

Source: Yahoo! Finance, 2023 (data 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.

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Economic Factors That Influence the Financial Markets

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

When developing your financial strategy, it's important to consider how overall economic conditions might affect your investment portfolio — now and in the future. But you should position yourself financially for a range of possibilities, because the factors that influence the economy and financial markets are often unpredictable.

As 2022 approached, the Federal Open Market Committee (FOMC) projected inflation would slow to 2.6 percent by the end of the year, not much above their 2.0 percent target. Fed officials expected supply bottlenecks to ease and economic activity to return closer to normal after nearly two years of pandemic disruption. Unfortunately, they underestimated how rising wages, federal aid, and expanded savings would propel consumer spending and help drive prices higher. And they could not foresee the impact the Russian invasion of Ukraine would have on world trade in energy, food supplies, and resources such as natural gas and crude oil.[1]

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Sources: 1) Federal Reserve, 2022

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Measured by the Consumer Price Index (CPI), inflation peaked at an annual rate of 9.1 percent in June 2022, the fastest pace since 1981, before ticking down to 6.5 percent at the end of the year. Food prices rose more than 10 percent in 2022, a trend that hit many households where it hurts the most.[1]

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Determined to stamp out inflation, the FOMC raised the federal funds rate from the rock-bottom range of 0.00 to 0.25 percent, where it sat at the beginning of the year, to 4.25 to 4.50 percent in December. Officials anticipated that more increases would be needed to bring inflation down to the target, causing investors to fret about potential negative effects on consumer spending and corporate profits.[2]

One of the most important metrics used to track the health of the economy is the growth rate of its gross domestic product (GDP) — the value of all goods and services produced across the economy. After contracting in the first half of the year, U.S. real GDP (which is adjusted for inflation) grew at an annual rate of 2.9 percent in the fourth quarter of 2022.[3]

The labor market stayed strong in 2022, though it cooled a bit near the end. About 4.5 million jobs were added to the economy during the year, the second-most on record, and December's 3.5 percent unemployment rate matched pre-pandemic lows. Competition for workers drove up wages 4.6 percent during the year.[4]

On the other hand, the housing market stumbled in response to a spike in mortgage rates, which roughly doubled. Sales of existing homes declined more than 34 percent from the previous year. The national median price of an existing home was $366,900 in December 2022, for a subdued 12-month increase of 2.3 percent.[5]

1) U.S. Bureau of Labor Statistics, 2023; 2) Federal Reserve, 2022; 3) U.S. Bureau of Economic Analysis, 2023; 4) U.S. Bureau of Labor Statistics, 2023; 5) National Association of Realtors, 2023

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Despite their spotty track records in recent years, you might be wondering what top economists have predicted for 2023. Here are some economic projections — which are essentially educated guesses — based on data that was available toward the end of 2022.

Fed Chair Jerome Powell admitted that steering the economy to a "soft landing" will be very difficult. But he also said, "No one knows whether this process will lead to a recession, or if so, how significant that recession would be."

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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. The median projection for the unemployment rate was 4.6 percent. The committee expected inflation to ease significantly by the end of the year, with projections spanning from 2.6 percent to 4.1 percent, and a median of 3.1 percent.

The Leading Economic Index, comprised of 10 key indicators, fell for nine consecutive months through November 2022. This prompted Conference Board economists to predict a recession beginning around the end of 2022 and lasting until mid-2023.

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. And as always, a different series of unforeseen events could test the economy and investors.

Forecasts are based on current conditions, are subject to change, and may not come to pass.

Sources: Federal Reserve, December 2022; The Conference Board, December 22, 2022; *The Wall Street Journal*, October 16, 2022

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Today we'll discuss four topics that may help you cope with market fluctuations as you pursue your goals.

First, we'll look at how developing a sound financial strategy can create a solid foundation for your investment portfolio.

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Next, we'll identify a number of investment vehicles and explain the role they might play in your portfolio.

Then, we'll discuss fundamental investment tactics that could help protect a portfolio over time.

And finally, we'll look at a few ideas for putting it all together.

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