

A Dozen Principles for Remaining  
Calm During Stock Market Fluctuations



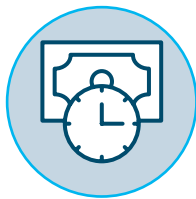
**CONCORDIA PLANS**

As a participant in the Concordia Retirement Savings Plan 403(b), you might keep a close eye on your account balance as you plan for your financial future. You may occasionally notice a decrease in your CRSP 403(b) balance due to a fall in stock and bond markets. Don't panic! Stock market fluctuations that impact your account tend to toy with your emotions. But allowing emotional reactions to dictate your investment decisions is a sure path to investment heartbreak. As Warren Buffett says, "the stock market is a manic depressive" and his advice is to "stay calm as an investor."<sup>1</sup>

Staying calm and maintaining disciplined habits are the keys to long-term investment success, but that is often easier said than done. Remembering basic principles can help you stay cool and collected during periods of turmoil. Below is a review of twelve principles to keep in mind as a participant in the CRSP 403(b) or other similar investment vehicles.

## 1. You're a long-term investor.

If you're contributing to a 403(b), 401(k) or IRA you're investing for retirement and therefore you're a long-term investor. This may be clear early in your career, but it's also true if you're nearing retirement. Generally, one does not "cash in" their 403(b) balance on the first day of retirement but instead maintains a portion of those assets in the market for another 10, 15, 20 or more years. Your investment portfolio should adjust over time as you approach retirement, but the portion of your assets allocated to stocks has a long-term objective.



## 2. Maintain a well-diversified portfolio.

A well-diversified portfolio is technical jargon for "don't put all your eggs in one basket" and is a key element to long-term investment success. You don't want to invest all your money in one area of the market but instead spread it around. ProManage, our partner in the 403(b), designs a diversified portfolio for you and maintains that diversification over the course of your working career. Unless you have elected out of this feature, they're helping you maintain proper diversification.



## 3. Stock market declines are normal.

The market always has and always will go up and down. A decline in the stock market of 5% or more has happened, on average, three times per year since 1952. A decline of 10% or more has happened about once a year. A decline of more than 15% happens about once every three years, and a decline of more than 20% has occurred about once every six years.<sup>2</sup> Aside from these periods of decline, the market generally goes up.

<sup>1</sup> <https://www.fool.com/investing/2020/06/30/7-investing-lessons-you-can-learn-from-warren-buff.aspx#:~:text=%22Remember%20that%20the%20stock%20market,declines%20will%20be%20relatively%20temporary.>



#### 4. Stock market declines are necessary.

Without the risk of a decline there is no reward from the increases. Like many things in life there is a correlation between risk and reward. We often take risks hoping for a reward on the other end. Significant life decisions like taking a new job or moving to a new town all come with risk, and usually it pays off. Without taking the risk, the reward would never be realized. Without stock market risk (the potential for decline) there is no stock market reward.

#### 5. Stock market declines are relatively short-lived.

Stock market declines are always for different lengths of time. For example, “the stock market correction in Feb. and March 2020 from COVID-19 lasted about three months ... the correction in Sept. 2020 only lasted three weeks.”<sup>3</sup> Since WWII, market corrections, which are a decline of 10 to 20%, lasted four months on average. Bear markets, which are a decline greater than 20%, lasted only about a year and half. Smaller declines of less than 10% may last only days or weeks. This is relatively short considering the last three bull (rising) markets have “lasted nearly nine years on average.”<sup>4</sup>

#### 6. The stock market always achieves new highs.

The stock market’s long-term trend is up. It doesn’t go up in a straight line, but it does go up over time and has always reached new highs. You can simply look at an S&P or Dow Jones trend chart on a source like Yahoo! Finance to see this trend.



#### 7. The stock market makes money.

In fact, it makes money most years. For the period 1980 through 2021 the S&P 500 (one measurement of the stock market) had a positive annual return 32 of those 42 years<sup>5</sup> – that’s 76% of the time.

#### 8. But it doesn’t make money every day.

There was a decline at some point during each of those 42 years mentioned above (1980-2021). The market does not make money every quarter, every month or every day. But it does make money.

#### 9. No one can predict it. Period.

No one has consistently predicted the market. That includes your relative, neighbor or the talking heads on TV. In fact, about the only “prediction” that holds true is - the stock market goes up and down, but it mostly goes up.

<sup>2</sup> <https://www.capitalgroup.com/individual/planning/market-fluctuations/past-market-declines.html>

<sup>3</sup> <https://www.forbes.com/advisor/investing/what-is-market-correction/#:~:text=How%20Long%20Do%20Corrections%20Last,rise%20to%20their%20former%20highs.>

<sup>4</sup> <https://www.nerdwallet.com/article/investing/what-is-a-stock-market-correction-and-what-happens-in-a-crash>

<sup>5</sup> <https://am.jpmorgan.com/us/en/asset-management/adv/insights/market-insights/principles-for-investing/>

## 10. After a decline, the market generally recovers quickly.

The average 12-month return after a 15% or greater market decline is 55%.<sup>6</sup> Stay invested so you don't miss out on quick recoveries.



## 11. Time in the market, not timing the market.

"Timing the market" is the practice of getting out of the market right before a decline and getting in right before it goes back up. It is extremely difficult (if not impossible) to achieve long-term success with this approach. One factor is market gains often come in short spurts and often the best days come on the heels of the worst days.<sup>7</sup> Missing these best days can have a lasting impact.



For example, being fully invested in the S&P 500 the last 20 years (1/1/2002-12/31/2021) would have yielded you a 9.52% annualized return. But if you were to miss the 10 best days your annualized return would have dropped to 5.33%. If you missed the best 20 days your return dropped to 2.63%.<sup>8</sup> "Time in the market" (staying invested over a long period) is the more likely path to success.

## 12. The value reflected on your statement is valid for one day.

The balance of your CRSP 403(b) on any given day is simply the value of your investments on that specific day. It's the price you would receive if you sold your entire portfolio on that day. In other words, your statement acts as an offer letter. It reads "If you had sold your portfolio on this particular day, this is what I would have paid you for it." If you don't like the offer, then don't sell. The offer will be different tomorrow, next month, next year and many years from now.



Ultimately, the key is keeping your eye on the long term and not losing sight of your goals. Overreacting to market fluctuations is not in your best interest. Don't let the emotions you feel when you see a loss overshadow your long-term investment strategy. Remember the principles above, and although it may be tough – stay calm and remain disciplined in your saving and investment habits.

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Brian is a Retirement Solutions Consultant with Concordia Plans, bringing more than 20 years of experience in the corporate and non-profit retirement plan industry to the role. Prior to Concordia Plans, Brian managed the retirement plan team for a national investment advisory firm. He holds the following industry designations: Qualified 401(k) Consultant (QKC), Qualified Pension Administrator (QPA), Accredited Investment Fiduciary (AIF®) and Certified Plan Fiduciary Advisor (CFPATM).



<sup>6</sup> <https://www.capitalgroup.com/advisor/ca/en/insights/content/articles/6-charts-that-explain-market-declines.html>

<sup>7</sup> <https://am.jpmorgan.com/us/en/asset-management/adv/insights/market-insights/principles-for-investing/>

<sup>8</sup> <https://am.jpmorgan.com/us/en/asset-management/adv/insights/market-insights/principles-for-investing/>



**QUESTIONS?**

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