FOSTER & WOOD™
Retirement Plan Advisors

March 9, 2020

The uncertainty surrounding the spread of the coronavirus is unsettling both on a human level as well as from the perspective of how markets respond.

This can be unnerving, even when you have a solid strategy backed by an investment philosophy you believe in. When everyone else is acting like the sky is falling, it can be helpful to remember that market volatility is a normal part of investing.

We all know that markets go up and down. While downturns are disappointing, they aren't surprising. The portfolios that Foster & Wood have created for our clients are specifically designed to account for the guaranteed inevitability of corrections.

We know that times like these can be difficult, especially since no one knows how long they will last. However, it is important to not to lose sight of your long-term goals. Remember that uncertainty creates opportunity. This is especially true for those of us that are systematically saving a piece of every paycheck every two weeks into our retirement plans. There will be times when prices are higher and times when prices are lower but maintaining a long-term outlook has always been rewarded.

We don't have to look that far back to the tech crash at the beginning of the 2000s, the swine flu and Ebola outbreaks of 2010 and 2014 respectively, and the great recession of 2008/09 to see that maintaining a long-term outlook with the help of a fiduciary has positively compensated investors.

The day we write this, March 9, 2020, would have been the 11th anniversary of the bull market that began March 9, 2009. Within this 11-year bull market, there have still been seven temporary downturns, with an average market decline of 15% and lasting an average 78 days. Declines happen within bull markets, just as it did in 1987 when the Dow Jones Industrial Average dropped 22.6% in one day.

We feel it is important to remember that it is impossible to accurately predict when events will turn around. Consider the performance of the S&P 500 from January 1, 1990 through December 31, 2019. Investing $1,000 on January 1, 1990 and remaining invested through all the ups and downs of the next 7,308 trading days, the initial $1,000 would have grown into $17,273. If you would have missed the best 25 trading days over 29 years, a mere 0.34% of the 7,308 trading days, you would have ended up with $4,314.

Stock market investments have higher expected returns than other investments because they require investors to bear additional risk. Without uncertainty, investors wouldn't get paid for taking on this risk.

The best approach is to make informed choices, adjust as your objectives and time horizons change (not when the markets change), and recognize that a range of possible outcomes can and will occur.

You are not in this alone. We are in this with you, not only as advisors but as long-term investors ourselves.

Sincerely,

Tim Wood, AIF®, Principal

David Foster, CFP®, Principal