Subject: Greenleaf Newsletter: Your Bear Market Survival Guide
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Hello Greenleaf,
Welcome to Our Client Newsletter

In the June Issue:

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- **Market News: Forward and Backward -- And Why This is Normal**

A Bear Market Survival Guide for All Ages

Inflation, interest-rate increases, and falling stock and bond prices have many investors -- particularly those in retirement -- wondering how to cope.

It's been a tough year, though not an uncommon one after three straight years of unusually high returns. However, the combination of both the stock market and the bond market falling together has been particularly hard on cautious investors living off their investments.

Control What Can Be Controlled
Seeing your nest egg lower than it was a year ago may cause a panicky feeling. However, we have done our best to limit the overall risk in your investment portfolio. We do not invest in cryptocurrencies and other speculative assets. At this time, patience and perseverance are the best investment actions. (See both columns to the right.)

A valuable thing to do while you

Question: What is a Bear Market? How Often Does it Occur?

Answer: In the investment world, the term "bear market" refers to a stock-market decline of at least -20%. This unwelcome experience has recently been reached with the S&P 500 Index now down about -22.5% since January 3, 2022.

Why is a bear used to represent a market slump? Bears hibernate, so they are used to represent a market that's retreating. In contrast, Wall Street uses the phrase "bull market" to describe a surging stock market, i.e. a stock market that is charging ahead.

If you are age 75 and have been investing since age 25, then this bear market is your

Market News: Forward and Backward -- And Why This is Normal

In our last newsletter, we reported an S&P 500 Index gain of 6% for the preceding week. In this version, we're back to a gloomy report with a decline for the past week of about -8%.

Big swings have been a theme this year, leading some investors to wonder if it would be better to stay out of the market until things calm down.

We advise against this strategy. Big swings are the price of admission for the strong returns that the stock market provides over time. They are also very common -- much more common than you might think.

The *attached chart* shows that a double-digit market decline happens quite often. The red dots show the intra-year decline each year over wait is to focus on the things you can control. Did your spending increase over the past few years? If so, how much beyond the level that we planned for? This is a good time to review your spending and adjust accordingly if your higher spending levels are not sustainable.

Good financial habits are hard to maintain year after year. Small changes might be enough to bring you back on course.

For Young Investors, Opportunity Calls
For those not yet in retirement, keep saving and investing. When stocks and bonds are "on sale," there's no better long-term investment opportunity. Maintain your workplace plan contributions and other ongoing new investments into in a diversified portfolio of high-quality stocks and bonds. Try to avoid "prisoner of the moment" decisions when making investment and financial choices.

Create a Cash Reserve
If low interest rates and high stock-market returns previously meant you didn't see any value to having a cash reserve, then this is a good time to open a savings account and start building up a cash reserve.

Upon retirement, you will be able to tap into your cash reserve instead of having to sell investments during a bear market. Such a strategy will help your investments last throughout your retirement years.

Spend Wisely and Pay Down Higher Interest Debt or Adjustable-Rate Loans
Just like retirees, looking at

seventh. Over the past 50 years, the previous six, working backward, were:

1. Coronavirus Pandemic, 2020
2. Global Financial Crisis, 2007-2009
3. Dot Com and Tech Stock Bubble, 2000-2002
4. Global Financial Crisis, Black Monday, 1987
5. Interest Rates Raised from 11.2% to 20%, 1980-1982
6. Oil Shock, 1973-1974

Besides these six, there were four additional times when the market got close to a -20% decline, but stopped just short. Those times were mid-year 2018, the fall of 2011, mid-year 1998, and in 1990.

Bear markets are difficult experiences, to be sure. However, they are an inevitable experience for investors. If we count all of the above, then they occur every 5 years on average.

Does a Bear Market Predict a Recession?
The U.S. stock market is usually seen as a sign of things to come, a "leading indicator" in economic speak. However, a bear market does not always pre-

the past 42 years.

All 42 years had a stock-market decline sometime during the year. Some were mild -- just -5% or so -- but the average was -14%.

Despite these declines, investors finished 32 of those 42 years with gains. The annual gain, on average, was 9.4%.

Making your money grow, therefore, requires lots of hanging on during stormy seas.

But what about hanging on during a hurricane like we have now? Wouldn't it be best to evacuate the area and wait for it to blow past?

Alas, no, that won't work. Such analogies do not capture the way the stock market behaves. Unlike a one-directional hurricane leaving a path of destruction in its wake, the stock market intersperses its horrible days with absolutely great days.

Missing out on these great days dramatically reduces your overall returns. *As shown in this chart,* if you missed just the 10 best days out of 7,300 total days (representing the past 20 calendar years), your return dropped from a fully invested gain of 9.52% to just 5.33%.

In dollar terms, your $10,000 investment on January 1, 2002 would not be $61,685 twenty years whether you are spending your money effectively is a worthy exercise whether you are 40 or 60.

Remember that higher interest rates will have a big impact on those with adjustable-rate loans and credit card debt. If you have credit card debt, go after this costly debt first and foremost.

If you have an adjustable-rate mortgage, this is the time to increase your principal payments. Few of us manage our money effectively each month, so it's likely that you can redirect a little cash from areas such as entertainment or eating out toward your loan.

Although we have limited control over the movements of the stock and bond markets, there are many aspects of our financial lives that we can control. We're always eager to hear about your accomplishments and ideas, as well as to help you make financial decisions. Let us know whenever you have questions or concerns!

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date a recession.

Of the ten instances above, four were followed by true recessions, two by mild recessions, and four by no recessions.

According to Morningstar researcher John Rekenthaler, the ***start*** of a bear market is often good at anticipating an economic slide, but by the time the -20% decline has been achieved, recession (if it occurs) has already begun.

For example, in 2008, the stock market reached -20% in September, but the recession had began 10 months earlier.

Ultimately, a bear market decline -- like the one reached recently -- does not increase the likelihood of a recession. Nor does it imply that a recession is coming. Try not to let it spook you -- you'll have at least a few more (more likely several) during your lifetime.

later, but would be a relatively measly $28,260.

Those 10 best days were:

7.0% on April 6, 2020
9.4% on March 24, 2020
9.3% on March 13, 2020

7.1% on March 23, 2009
6.4% on March 10, 2009

6.5% on Nov. 24, 2008
6.3% on Nov. 21, 2008
6.9% on Nov. 13, 2008
10.8% on Oct. 28, 2008
11.6% on Oct 13, 2008

Note that all of these days were in the midst of either the Coronavirus bear market or the global financial crisis bear market. All of them were shortly after some of the market's worst days.

For example, the stock market dropped a gut-wrenching -9.5% on March 12, 2020. Those who got out missed the 9.3% return the very next day on March 13th and the 9.4% return on March 24th.

We wish there was a way to avoid the pain and distress of bear markets, but the way to success is to be there when the market takes a big jump higher. Don't give up. Hang on!

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