HUDSON
DYNAMIC RETIREMENT
Dynamic Retirement Planning / Lifelong Relationships

Brief Notes August 25, 2015

Current Market Turmoil & a New Addition to the Team!

As of the writing of this email the DOW Industrial Average stands at 16,155, roughly 12% off its highs from just a few months ago. Although this kind of stock market volatility can be a bit unnerving to many, it is important to thoughtfully consider a few important points that should help keep things in the proper perspective.

Before we get to that, we would like to formally introduce Kathy Slavin to the Hudson Dynamic Retirement team. As you know, we pride ourselves on attentive and personalized client service and we are confident that after a thorough search, we have found the right person to join the "family." While working with Christina in a supporting role, Kathy will eventually take over many administrative duties which will allow Christina to be more pro-active with future client service initiatives while earning her Chartered Financial Consultant degree. Please welcome Kathy as she will be answering initial call ins during Christina's absence this week (vacation to Disney World!).

As of March of 2009 the DOW was at 6,500 and has more than doubled over the last 6 years...

To many inexperienced investors, this bull market run might give the impression that stocks only go up! Of course we know otherwise. Stocks and stock funds have historically provided returns well in excess of bank savings and other less volatile

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Andrew Brief, ChFC

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investments. This is our expectation when we allocate a portion of our portfolios to this asset class, and it should also be our expectation that for this "excess" return there are trade-offs. That trade-off comes in the form of increased volatility.

Your investment strategy is based on the understanding that market pull-backs of this nature are normal and expected occurrences...

The globally diversified strategy[1] implemented allocates a considerable amount of your assets outside of the stock market to address these periodic market declines that we know will happen from time to time (usually more frequently than we have seen of late). Your portfolio is also rebalanced periodically to ensure your equity/stock fund allocation did not become excessive relative to your goals as markets expanded. Although your overall portfolio will likely decline since stock funds typically contract more than other assets in your portfolio may rise, we can avoid taking substantial assets from stock fund positions when declining stock markets continue for extended periods. This will allow us to reduce the need to liquidate significant positions that are at temporary lows and allow these assets to recover as time progresses.

Focus on what you can control...

If you're not retired and you are in an "accumulation phase," bear markets should be viewed as buying opportunities. In this situation we should be a lot more enthused about investing when shares are on sale! If we are in a "distribution phase," understanding your portfolio withdrawal rate has always been part of our discussions together. Assuming your withdrawal rate was reasonable prior to this recent decline, we should not be concerned. If you feel your withdrawal rate has been a bit excessive, it might make sense to reduce spending and portfolio withdrawals, at least temporarily.

Avoiding market risk comes at a higher price than the temporary discomfort you may be feeling now...

If our goal is to avoid market volatility, then we will also be avoiding growth potential. It is our portfolio's growth potential that helps combat purchasing power/inflation risk as our cost of living continues to rise over time. Most who do not consider this risk appropriately typically find that they must decrease their lifestyle (spending) considerably to avoid running out of assets prematurely. Certainly, this is always an option - maintaining a more modest lifestyle and reducing spending permanently will help maintain an appropriate "balance" if your goal is to reduce market risk through reduced equity/stock fund exposure.

As always, do not hesitate reaching out if you would like to discuss things in more detail or schedule a more comprehensive review. Always be prepared for further declines before things improve; however, understanding the principles discussed here and in our upcoming newsletter, should keep things in perspective and help you remain focused on our comprehensive approach to addressing your financial goals.

Best Wishes,

Andrew Brief, ChFC
Rick Nacius, CFP®
Christina Dziadzio
Kathy Slavin

Hudson Dynamic Retirement

[1]Using asset allocation and diversification as part of your investment strategy neither assures nor guarantees better performance and cannot protect against loss of principal due to changing market conditions

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