125 Boggs Lane
Cincinnati, OH 45246
Phone 513.481.8555
Toll Free 1.800.962.7920
Fax 513.481.8561
www.kehoe-financial.com

By Steve Kehoe Aug. 16, 2016

Founder and President, Kehoe Financial Advisors

Election Year Insights: Keep Voting and Investment Decisions Separate, Says Financial Advising Expert

As tensions ratchet up on who will be our new president, investors may worry about what will happen to their stock market portfolios if Trump—or Clinton-- is elected.

Whether you are fed up or intrigued by the possibility of a stock market slide or rally after the presidential election this year, take a deep breath, then exhale slowly.

Chances are, the market may do just fine.

Historically, the stock market doesn't favor either political party. But wars, bear markets and higher taxes tend to occur with the first two years of a presidential term, according to the Stock Traders Almanac, a stock market information resource for traders and investors for more than 60 years. Prosperous times usually mark the last half of a presidential term.

While no one can predict the future, what we can do is look at the historical record and see what the stock market fallout has been with various presidencies over the years.

According to a 2012 New York times historical chart on investing in a presidential election, the market favors neither Democrats nor Republicans. And while we tend to blame politicians for economic busts and praise them for economic booms, sometimes the timing of a rally or bear market has little to do with leadership in the Oval Office.

The biggest stock market loss came during the Hoover administration—an annual decline of 29 percent during 1928 to 1932, according to the Dow Jones Industrial Average and compiled by the New York Times. That 1928 drop, of course, signaled the onset of the Great Depression. Then, from 1932-36, when Franklin Delano Roosevelt came on board, the market rose 30 percent.

We all of us tend toward nostalgia at times, and some may remember the Eisenhower 1950s as a time of particular prosperity, stability and bull markets. But those halcyon days were here in the 80s and 90s, too. The Bill Clinton years from 1992 to 2000, saw annual returns of 16 percent per year, with Ronald Reagan's 1984-88 term and Dwight Eisenhower's 1952-56 terms averaging about 15.5 percent.

On the down side, some of the largest stock market losses outside of the Hoover administration came during FDR's 1936-40 term—a negative 6.6 percent-- during the period when Americans feared involvement in another world war.

The Woodrow Wilson administration from 1916-1920 (another term with fears of war, then World War I) saw an average loss of five percent per year. Jimmy Carter's administration saw an average loss of one percent per year, and George W. Bush's administration from 2000 to 2004 provided a loss of 2.2 percent per annum, with the period of 2004-2008 an annualized loss of 1.8 percent per year. This period included Sept. 11 and subsequent military buildup and actions to fight the War on Terror.

What's most telling is that throughout the 20th and the early 21st century, the stock market has tallied an average loss for only seven of 28 presidencies: three when Democrats were in power (FDR, Wilson and Carter) and four when Republicans ran the Oval Office (Hoover, G.W. Bush over two terms, and Nixon).

This means that during 21 presidencies, the stock market has delivered average increases ranging from .2 percent to 30 percent in annualized growth.

Whether you're energized or fed up by this year's presidential election campaign, there is one truth to remember about the stock market: no matter who is in power, Wall Street will find ways to make money. So keep your voting and investing decisions separate.

Investors who stay the course and stay in the market this fall are likely to fare better than those who only invest when their favorite political candidate takes control of the White House.

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Steve Kehoe is founder and partner with Kehoe Financial Advisors of Cincinnati, a 33-year-old financial advising and services practice in Springdale. Kehoe assists clients in developing and implementing financial strategies to help meet retirement, estate and business planning objectives, business continuation and succession planning. For more information, go to www.kehoe-financial.com or call (513) 481-8555.