FLANAGAN FINANCIAL SERVICES
THE FUTURE IS YOURS

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Things are different this time

Often, we will hear individuals comment and their statement is "This time is different." Especially when it comes to investing or staying the course for your Financial Independence. This time could it be different in that you are older today than what you were in 2008.

Well let's think back. Did we ever have periods of high inflation, high interest rates and high unemployment? I believe the answer would be yes. If you were around and lived in the 1970's and early 80's you experienced periods of high inflation 14-15-16% or more and interest rates of 12-13-14% or more along with unemployment in some cases in the double digits. Not a pretty sight.

Today we have compared to recent history high inflation, high interest rates, but somewhat muted unemployment. What does this mean to you?

Over the last roughly 60+ years we have had 12 bear markets. That is when the S&P was down 20% or more. The average duration of those bear markets was 16 months. Typically, what occurred after the bear market? A Bull market rally. No one can predict the exact day, week, or month, one does usually come.

If we look back between November 1980 -August 1982 over those 20 months, the market was down about 27%. Do you remember what happened after that? The market went on a rally. Some consider it one of the greatest times in history.

But you say that was then, but wait during the financial crisis October 2007 – March 2009, 17 months, the market was down over 56%. Many people lost faith and pulled their money from the market. Well guess what happened over the next 10 years? The markets expanded to levels never seen before and innovations seemed to happen every day.

So, one question that many people are asking themselves is – Should I stay, or should I go because you know this time is different? Well think of it this way. If your account value has declined 20% do you believe at a say 3% "safe" fixed rate of return, your asset value will return? Probably, but it could take you 7 years just to get back to even and if inflation is running at 5-6-7% you are losing purchasing power so it's a double whammy. But staying the course and being invested could mean that you recover that value in possibly the next 1-2-3 years or less.

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I always find it interesting when markets decline, and many people panic and look at it as a time to sell rather than an opportunity to buy. How many times I have heard, I want to wait until things get better. Unfortunately doing that may mean you just lost a buying opportunity. If I told you that your favorite store was having a storewide sale and that everything in the store was 20-30% discounted, people might not get there fast enough, but when the market is off by 20% people run the other direction. In many cases bear markets is when money is made since you are purchasing everything on sale.

This doesn't mean that you shouldn't be prudent or modify your allocations or take advantage of tax loss harvesting or reposition for future growth or actually invest those "safe" dollars into assets that might yield a higher return. All legitimate options that could position us to take advantage of when markets do turn around. So that possibly a year from now our values have recovered and we are positioned for the new direction forward.

So if you would like to discuss reallocation, income planning, generating additional income or other options which might help benefit you or your family in the future, please give me a call at 630-235-5273 or email me at mflanagan@flanaganfinancialservices.net and we can schedule a time to meet and discuss your options.

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