How will you cope with market fluctuations? Read our FAQ.

BECK BODE
WEALTH MANAGEMENT

Q: What are market corrections?

A: Investopedia defines a market correction as "a reverse movement of at least 10% in an index to adjust for an overvaluation. Corrections are generally temporary price declines, interrupting an uptrend in the market."

Q: As an investor, what is the best thing to do when markets turn south?

A: If you are investing for the long-term, then stay put. Stick to your strategy to ensure you will be present for the recovery. We define a long-term investor as someone who has three-five or more years before needing to draw upon a significant portion of his/her investment. Anyone who foresees needing to withdraw that amount of their principal within the short-term, in our view, should not be investing that portion with any risk.

Q: Help! The news is making me uncomfortable.

A: Successful investors understand that successful investing includes periods of time where things can get very uncomfortable. Provided you have a disciplined long-term strategy and access to very good information, you should stay invested. Successful long-term investors understand that in order to have success, they must be willing to "give some back" in terms of the returns they have built up. Again, as the definition of market corrections explicitly states, these periods of time are generally temporary.

Q: I hear that the market has been overheated. Should I do anything preemptively?

A: Attempting to "time" the market can be a double-edged sword that can (and often does) turn into disaster for some people. When emotions take hold, investors can be irrational. It's virtually impossible to select the "right" time to not only pull your money out of the market, but also the correct time to reinvest. Being wrong on either side can cost you a tremendous amount of what would have been your long-term positive returns. In our view, investors lose much more money being OUT of the markets, than they do staying in.

Q: I am retired, and more concerned now about losing money. Should I be viewing things differently?

A: Retirees should certainly have a portfolio allocated more toward assets that are income-producing and less-volatile relative to aggressive growth investments…but not at the risk of losing **purchasing power**. The understanding that <u>inflation</u> is your biggest enemy over the course of your retirement is key to a successful retirement. It is important that you continue to take risk in order to outpace inflation. While investment vehicles with fixed rates of interest (bonds, CDs etc.) may sound like safe option, the income derived from them DOES NOT increase as your cost of living increases. This could force you to spend principal or reduce your standard of living as you age.

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Q: Remind me again, what is the Beck Bode investment philosophy?

A: Our philosophy is markedly different from the conventional approach. We take an active approach to investing and believe in fully capitalizing on upturns, so that we are appropriately buffered when the markets inevitably turn. The long-term growth of your assets and the protection of your purchasing power are our main objectives.

Q: Can you give me successful examples of 'sticking it out' in the markets?

A: Despite average intra-year drops of 14.2%, annual returns have been positive in 28 of the past 37 years. In plain English: markets can fluctuate wildly within a given year (intra-year), yet finish positively for those who remain invested in them.

The following chart shows that in the last 10 years, which includes the Great Recession, there have been 7 years in which intra-year market declines were >10% (some years closer to 20% drops) and still in those years the market closed in the positive.

Year	S&P 500 Annual Returns (rounded)	S&P 500 Intra-year decline
2016	+ 10%	-11%
2015	-1%	-12%
2014	+11%	-7%
2013	+30%	-6%
2012	+13%	-10%
2011	0%	-19%
2010	+13%	-16%
2009	+23%	-28%
2008	-38%	-49%

'Intra-year decline' refers to the largest market drops from a peak to a trough during a given year.

[1] *Data set: 1980-2016, Source: JP Morgan Asset Management Market Insights: Guide to the Markets® U.S. | 1Q 2017 | As of December 31, 2016*