Riding the Market Roller Coaster

Staying On Track Through Pullbacks and Drawdowns

Market ups and downs are a natural part of long-term investing. While volatility can be unnerving, understanding the frequency and severity of market declines can help keep things in perspective. History shows that markets move through cycles, experiencing everything from minor dips to more significant downturns.

Here’s a breakdown of how often these declines tend to occur:

1. **Pullbacks (5-10% declines)**
   Pullbacks are the most common type of market decline, occurring about **three times per year** on average. These short-term dips can be caused by factors such as economic data releases, changes in interest rates, or short-term investor sentiment shifts.

   Key takeaway: Pullbacks are normal and typically short-lived. Overreacting to them can lead to unnecessary adjustments that may disrupt long-term financial strategies.

2. **Corrections (10-20% declines)**
   A correction is a more substantial decline, typically happening **once per year**. Corrections can result from broader economic slowdowns, global uncertainty, or shifts in corporate earnings expectations. While these drops can feel significant, they often create opportunities for long-term investors.

   Key takeaway: Historically, markets have rebounded from corrections, and those who stay invested are better positioned to benefit from the recovery.

3. **Bear Markets (20%+ declines)**
   Bear markets, though less frequent, are the most severe type of downturn, occurring **about once every six years**. These periods are often linked to recessions, financial crises, or major geopolitical events. While some bear markets have lasted over a year, others—like the sharp downturn in early 2020—have been much shorter, followed by strong recoveries.

   Key takeaway: Even during bear markets, recoveries have historically followed. Investors who maintain a long-term perspective and avoid panic-driven decisions tend to fare better over time.

The Challenge of Market Timing

Periods of volatility may tempt some to try and "time the market" by making quick adjustments to their investments. However, history shows that the strongest market rebounds often occur after downturns. Missing even a few of the best performing days can significantly impact long-term returns.

Rather than reacting to short-term movements, maintaining a disciplined, long-term strategy has proven to be the most effective approach.

Staying Focused on the Long Term

While market declines can be unsettling, history has demonstrated that downturns are temporary, and recoveries follow. Staying committed to a well-diversified strategy and focusing on long-term financial goals can help investors ride out market turbulence with confidence.

The market may feel like a roller coaster at times, but those who stay on track and avoid emotional decisions are often in the best position for long-term success.

For more information on current market conditions and the effect on your plan, contact your financial professional today by emailing [EMAIL] or calling [PHONE NUMBER].

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