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Thrive

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FMA ADVISORY INC
Compounding the future of You.™

Thrive

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Welcome to *Thrive*, FMA Advisory's quarterly newsletter, packed with investment insights to help you navigate your financial journey. In every service delivery, we're dedicated to **Compounding the future of You.** SM

Corrections and Bear Markets

Not since May 18, 1995 has the S&P 500 Index gone more than 100 days without a 1% decline. Stock market corrections on the order of 10% occur on average once per year. Bear markets become official once the decline crosses the 20% marker. Volatility is the norm.

We have written in the past about how year in and year out we hear the great majority of market professionals pegging their short term market forecasts at between 7 and 9% annual returns. So we took a look all the way back to 1970, and were surprised to find the closest annual return to 7% for the S&P 500 Index was 6.56% in 1978. And only ONE year posted a return of between 7 and 9% and that was 7.62% in 1992! Yet surprisingly, most financial planning techniques use software that assumes a nice smooth ride for investors in the range 7 to 10% annually for stocks. The problem is that most years just do not comply with these uneventful forecasts.

Many of us have heard of the bank stress tests that took place in the wake of the 2008 financial crisis. Just as these institutions were graded on their ability to withstand drawdowns in their capital, we think it is equally important to stress test our client portfolios for the effects of a bear market on sustainable cash flow to meet budget needs. We provide an example below.