

RhodyMoney

The Stock Market Has Tumbled, Now What?



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Do you remember the old song “Pinball Wizard?” Here are some of the lyrics. Try to read this without the song going into your head!

*Ain't got no distractions
Can't hear no buzzers and bells
Don't see no lights a-flashin'
Plays by sense of smell
Always gets a replay
Never seen him fall
That deaf, dumb and blind kid
Sure plays a mean pinball...*

What does that have to do with your investment portfolio? Your retirement plan? Unlike the “deaf, dumb and blind kid” in the song, we, unfortunately have lots of “distractions... buzzers and bells” compliments of the media. If we collectively turned off our news programs for a couple of weeks, I feel as though everybody’s stress level will be down quite a bit.

There is so much noise out there when it comes to the stock market, sometimes it’s hard for some to maintain composure. Have you watched the news only to feel a bit more anxious than you were before watching or listening to the news? Not surprised!

So, this message is one of maintaining your calmness, ignoring or limiting your exposure to the media when it comes to the stock market. Downturns in the market are part of a market cycle. The stock market doesn’t just go up and stay up forever. Just like it hasn’t gone down and stayed down forever.

Have we had some tougher times? Certainly, and we don’t have to go too far back in time. February/March of 2020 the stock market was down about 35%. The “financial crisis” started in the fourth quarter of 2007, continued through 2008 and into early March of 2009. Before that, we had three back-to-back-to back drops in the market, 2000-2001-2002. After each of those bad episodes, the market, seemingly, heroically recovered and advanced from prior high points. (Yahoo Finance, n.d.)

My point here is that the market will always be moving, up, down, or “side-

ways.” One of the most important points of this article is to impress upon you that as the market moves, you should not make any emotional moves about your investments. Of course, that assumes that you have a plan in place, preferably a long-term plan. If you are not working with a financial advisor, preferably a Certified Financial Planner™ (CFP®) Professional, I suggest that this might be a good time to start working with one. One of the primary jobs of the CFP® is to establish a long-term plan for you and your spouse, if married. Of course, “Significant Others” count, too!

Another job is to keep you on track. In volatile times like these, it’s their job to help you see through the “noise” and focus on your long-term goals. As the old saying goes “this, too, shall

pass” and the market decline will lessen then turn to a positive direction. Obviously, no one knows exactly when that will be, but, historically, that is exactly what has happened after every other big downturn in the market.

We have seen some softening of the gas prices. I expect that will trickle down to, hopefully, lowering food prices as the cost of transporting food-stuffs should also go down as diesel costs lower over time. As a kid, I remembered diesel always being much less than gasoline. I don’t know why it is so much higher than gasoline at this point.

This article was written just before the second quarter Gross Domestic Product (GDP) numbers come out. Why is that important? Well, the economists use that number to determine

if we have been in a recession. A recession can only be declared after two consecutive quarters of negative GDP figures. The first quarter GDP was negative 1.6%. (MarketWatch.com, n.d.) My guess, and it is only that, a guess, is that the second quarter GDP will be negative as well. That could confirm what most people already FEEL is going on: we have been in a recession thus far in 2022.

If you are not currently working with a professional team that has developed a long-term retirement planning goal, now may be a good time to start! The market has “discounted” the value of most stocks and now may be a good time to reposition assets to take advantage of the recovery, when that occurs. Of course, it is important for you to know the current level of risk within your existing portfolio. I suggest learning that first. At our firm, we use software that analyzes your stock market investments and can quantify the level of risk you have in your current portfolio. This could be really important information for you to have. If you have questions about this article, or your investments, we are here to help.

For more information, contact the team at Massey And Associates, Inc., Retirement Wealth Advisors, at (401) 333-8000 and www.masseyandassociates.com The office is located at 250F Centerville Road in Warwick.

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