RBC Wealth Management
The Crescent Group

Carsten Frederiksen, CFP®
Senior Vice President
Financial Advisor
Senior Portfolio Manager
Portfolio Focus
Direct: 214-775-6401
NMLS#: 1321563 City National Bank
The Crescent Group website

Paul Hendershot
Senior Vice President
Financial Advisor
Senior Portfolio Manager
Portfolio Focus
NMLS # 1370978 City National Bank

Andrew Ielmini
Financial Advisor
214-775-6448

Lindsey Vickers, MBA
Client Service Associate
214-775-6458

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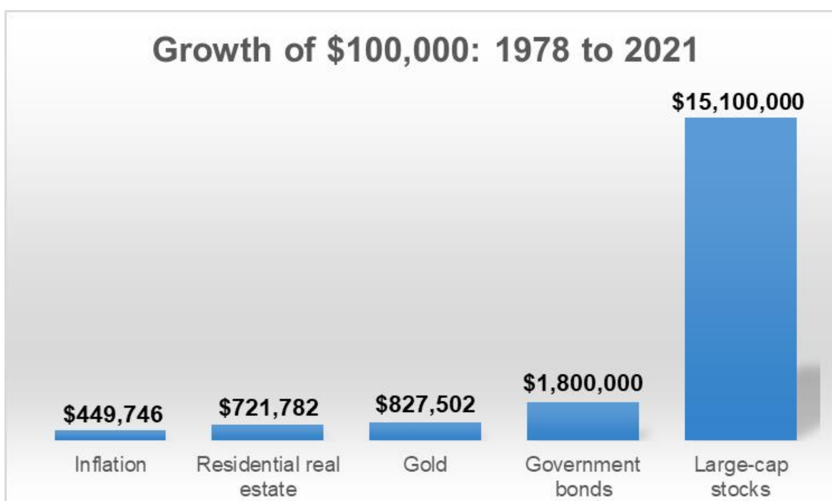
Whenever we go through times of investment market declines like the past few months, it's crucial to remember the importance of staying invested. While stocks often do fluctuate over short-term periods such as a few months to a few years, over the long term they move up significantly. As the chart below shows, stocks have done the best job of growing and preserving wealth ahead of inflation over the long term. None of the other major asset classes have come close. We expect that to hold true for the future as well. And with inflation registering 40-year highs recently, the ability of stocks to generate returns exceeding inflation has taken on an urgency not felt in decades.(1)



Source: Invesco, Navigating Volatility

So that's the long-term picture of why we put up with regular market corrections / crashes and invest in stocks. We should also point out that the gain in stocks that you see in that chart occurred over a time period that included an intra-year decline in stocks every single year, with an average annual decline of 14%. It also included some of the worst market declines in history, including the 1987 crash when the Dow fell 23% in one day, the 43% decline beginning in 2000, the 51% decline beginning in 2007, and the 35% covid crash two years ago. Despite those yearly setbacks big and small, stocks powered ahead over time.(2)(3)(4)

During short-term periods when stocks decline, fear often takes over. It's not uncommon for investors to lose sight of the long term and begin to consider selling their stocks and waiting for more clarity to buy them back. What's the harm you might ask? It turns out that missing even a handful of key days of market returns can have a detrimental impact on your financial plan:

Source: Franklin Templeton, Staying in the market

As you can see, missing just the ten best days of market returns during a twenty year period can almost cut your returns in half. **That's just ten key days out of a time period of 7,300 days!** While selling stocks when the market is falling can make you feel like you're reducing your risk, the fact is that not being invested is a terribly risky proposition for your financial future. It can mean the difference between all things nice and microwavable rice during your retirement.[5]

The key takeaway from these charts is that successful investing involves maintaining the right long-term mindset. Our Group believes that you should focus on the following time-tested principals to succeed with your financial plan over time:

- Remember that crises, corrections, and crashes are normal; they haven't prevented stocks from increasing in value in the past and they won't prevent stocks from increasing in the future
- Stay focused on the long-term
- Do you get anxious or nervous when you look at your investments during market declines? Stop looking at them. Your investments will do well over time; but looking at them won't make them go up any faster or make them stop going down when the market is in a correction
- Know thyself; particularly, your risk tolerance; if you know that you get nervous when markets correct, then the time to do something about that is when everything is going great and prices are high – that's the time to reduce your stock exposure, before stocks fall
- Stay invested

Our Group is grateful for the opportunity to help you succeed with your long-term financial planning. We know that market corrections can cause a lot of discomfort, and we're here to help you stay the course during the current correction. Please contact us with any concerns or questions.

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Sources:

(1) Invesco
(2) Putnam
(3) Board of Governors of the Federal Reserve System
(4) JP Morgan
(5) Franklin Templeton