

February 6, 2018

A message to clients about the recent stock market declines:

Good morning,

The headlines are big about the declines in the stock market, and the tone in much of the media is designed to grab your attention.

We wanted to be in touch to say: We are not panicking, and hope that you are not either.

Some points to keep in mind:

- Stocks are volatile investments, but recently have been unusually stable. In that context, when normal downside volatility happens, it feels big because our recent experience is of stability.
- The markets fell about 2% last Friday and then another 4% on Monday. Stock market corrections of about 10% / year are expected every few years. After a long, steady run up in prices, it's healthy and expected to have some downside price action.
- The recent declines have just snipped the top off a long period of gains. As the Wall St Journal points out, a 15% decline would just take us back to portfolio values of November 2016.
- Absent a specific reason to the contrary, we have been rebalancing client portfolios throughout the recent steady rise in the markets. Trimming stocks to rebalance means you have already taken some money off the table.
- We have tailored your portfolio to your ability and willingness to take risk; its success is not dependent on guessing when to sell and when to buy. That's good.
- There are positive as well as worrisome elements in the economy. Maybe inflation is coming back. But so is the job market. The economy may be on the move again—positively.
- We don't know if the markets will fall further. No one does. But your financial planning incorporates a wide range of possibilities, including further market declines. That's why you have sensible debt, ample cash reserves, appropriate insurance, some measure of

lifetime income, and a well-diversified investment allocation.

- If the market declines more, we'll rebalance: We'll buy stocks at a good price from those unable or unwilling to maintain a long-term perspective.
- You are OK.

We'd be grateful to hear from you, even just a thumbs up that you are not worrying about investment matters or a thumbs down if you are worried, and, for sure, if you have any questions or concerns you'd like to discuss in more detail.

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