Wiggin Financial Quarter One Newsletter 2022

Dear Client:

The fact that market declines are a normal part of investing in stocks and happen relatively often doesn't make them any less unnerving to investors whose financial security may seem to be at stake. It's worth a reminder for investors with a thoughtfully constructed portfolio that considers both their temperament and their financial ability to take on risk, shorter-term market declines are not a threat to achieving their financial goals. The real threat to meeting their goals comes from a failure to stay invested through these inevitable declines.

The questions in any decline are always the same: What has been missed? Is it different this time? Along with the financial media turning from reporting on experts explaining why the market can keep going up to experts explain why it can keep going down. Most helpful to maintaining a discipline in these times is to consider the underlying fundamentals, where we are likely to be when the noise dies down, and to consider the rich historical context of how downturns typically play out.

Looking at today's backdrop, the declines have been largely driven by heightened expectations of the Federal Reserve's plans for tightening this year that is leading to severe drops in many growth/tech stocks, which have experienced significant gains in recent years. Since reaching a high on January 3rd, the broader market (S&P 500) was down 13% by March 8; the mark at which a correction is formally reached is 10%. The tech-heavy Nasdaq 100 index was recently down 14% from its high, the small-cap growth stock index, which contains many speculative and currently unprofitable businesses, was off 16%.

In terms of historical context, it is helpful to remember that in every market decline the same concerns are raised and each decline has fundamental similarities: fear over how far it could go followed by a reversal during which much better returns are realized. Consider that since 1950, 10% or greater market drops happen **on average** once per year. They are to be expected. Bear markets (20% + drops) happen every six to seven years on average.

Meanwhile, the average rebound in the 12 months following a market bottom is 41% and over the subsequent five years it is 93% which highlights the point that selling after a decline effectively captures some or all of the downturn and misses the rebound—**a sure recipe for failure**.

We will continue to make *strategic and tactical decisions* about all our portfolios, not to be confused with market timing decisions. Rather than blindly pulling back on stocks, it is more likely if we see significant further declines that we would be adding to our equity allocation at much more attractive valuations. Meanwhile, we are confident our portfolios are well diversified and built to withstand downturns consistent with their risk profiles.

As always, if you have any concerns or questions, please contact us and thank you for your continued trust.

Sincerely,

Debbie Wiggin

101 NE 3rd Avenue, Suite 1535, Ft. Lauderdale, FL 33301 www.WigginFP.com Ph: 954/390-6191 e:dwiggin@WigginFP.com