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Managing a Bear Market

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Even when markets are down, like the one we are currently experiencing, certain strategies can help mitigate losses and improve an investor's long-term financial success. Navigating bear markets involves two important elements: (1) keeping perspective on your long-term success and (2) implementing strategies to take advantage of lower market values.

Keep Perspective on Long-Term Success

Bear markets are challenging to live through but are part of investing. In fact, bear markets happen about once every five years. From beginning to end, most people invest for about 50 years, which means the typical investor could live through 14 bear markets.

Your advisor can provide clarity in these difficult times. In particular, the following perspective can be helpful:

- Stocks lose an average of 36% during bear markets; by contrast, stocks gain 114% on average during bull markets.
- Bear markets typically last about 9-12 months. Positive bull markets, on the other hand, last around three years. In fact, of the past 92 years of market history, stocks have been on the rise 78% of the time.
- Half of the best days in the markets have come during bear markets. It is difficult to time the market – staying disciplined and invested is essential.
- In the past 30 years, the S&P 500 is up over 700%. Yet during that time, we have witnessed unique events, including two Gulf wars, the 2000 tech bubble, the 911 terrorist attacks, the 2008 financial crises, contested elections, and a global pandemic. The next 30 years will likewise bring unique economic, political, and market challenges, yet history shows that the market is resilient and rewards steadfast investors.

Bear Market Strategies

We employ useful strategies to improve our client's financial situation, even during a bear market. Not all of these will apply to every investor, as each person's situation is unique, and we tailor our advice to every client's specific circumstances.

- **Rebalancing** – With lower market prices, rebalancing will realign your portfolio to the proper risk level. Moreover, rebalancing results in being opportunistic by purchasing more shares at a lower cost.



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- **Tax Loss Harvesting** – Tax loss harvesting is a simple concept that is complicated to execute but has a positive impact on the investor's taxes. Simply put, a position is sold at a loss and replaced with a very similar position. This enables the investor to maintain their overall strategic allocation and stay positioned for an eventual recovery, while at the same time generating a tax loss.
- **Roth Conversions** – When IRA balances are down, a Roth conversion could make sense for some investors, as the conversion will result in a relatively lower tax hit.
- **Invest Cash** – Opportunistic investors with cash can take advantage of a down market and buy low.
- **Upgrade Holdings** – Maintaining discipline and staying invested is important. However, a down market may also provide an opportunity to exit positions that were previously difficult to unwind due to higher taxable gains. Bear markets provide opportunities to upgrade positions that were previously tax prohibitive to exit.
- **Review your plan** – We have developed and periodically review cash flow and retirement projections. Our projections include bear market cycles. By revisiting this analysis, an investor can validate the long-term strength of their investment plan and make any adjustments if needed.

We understand that these markets can be difficult and frustrating. Part of our role is providing clarity and direction during turbulent times. We are happy to help navigate this period towards better markets. Please do not hesitate to contact us with any questions or if you would like to learn more.

About Landmark Wealth Management

Landmark Wealth Management is a trusted, independent, registered investment advisory firm dedicated to helping clients reach their financial goals. Our firm works in a fiduciary capacity on behalf of high-net-worth individuals and families, institutions, and non-profit organizations. We focus on portfolio management, retirement planning, tax planning, and estate and generational wealth planning. Our team is credentialed in multiple areas: Certified Financial Planner (CFP), Chartered Financial Analyst (CFA), Certified Public Accountant (CPA), Certified Private Wealth Advisor (CPWA), and Certified Investment Management Analyst (CIMA). The firm is located in Amherst, New York, a suburb of Buffalo.