

# Do you have a downturn defense?

Learn how stock market  
volatility can impact your  
retirement income.



## Can your retirement strategy take a beating?

Since March 2009 when stocks bottomed out during the financial crisis, the S&P 500® has gone up 332%<sup>1</sup>. This historic rebound currently stands as the longest bull run in history. On March 12, 2020, however, this bull market ended.

After over a decade of market growth like this, it's easy to forget about any looming financial threats. But financial markets can quickly change.

When market conditions head south, will your current retirement strategy withstand the opposing market forces? Your answer will depend on a number of factors, including how you're invested, your age, whether you're still working, and if you've already started withdrawing money set aside for your retirement.

<sup>1</sup> As of October 9, 2019



## Let's take a closer look

There are three types of financial patterns that may affect your retirement.



**A bull market** is when stock market indices like the S&P 500 and Dow Jones Industrial Average steadily go up by at least 20%. When markets rise, investors may see the value of their retirement account increase over time as well.

*But bull markets can quickly be hit by another type of financial phenomenon: a bear market.*



**A bear market** occurs when those same types of indices drop 20% or more from their previous peak over a period of at least two months. When bear markets occur, some investors may see the value of their investments drop significantly. Unfortunately, rebuilding a damaged portfolio just to where it was may take time investors don't have.



**A recovery** is represented as the number of months from the bottom of a market decline to when the market reaches the level of its previous peak again.

## How often do bull and bear markets occur (and how long do they last)?

It's impossible to predict how the markets will perform. But looking back through time, certain patterns begin to emerge:

- From 1900 to 2014 there have been 32 bear markets that have occurred, on average, every 3.5 years.<sup>3</sup>
- Bear markets are usually shorter than bull markets – the average length of a bear market is 367 days while bull markets typically last 4.5 years.<sup>4</sup>
- Some bull markets run longer than usual (like the one we're experiencing now).



**The longest-ever bull market for U.S. stocks ended on March 11, 2020. If history is any lesson, a bear market may not be far behind.<sup>5</sup>**

<sup>3</sup> <https://www.thebalance.com/u-s-stock-bear-markets-and-their-subsequent-recoveries-2388520>


<sup>4</sup> <https://www.cbsnews.com/news/whats-a-bear-market-and-how-long-might-it-last/>

<sup>5</sup> The Wall Street Journal, March 12, 2020

## Does the timing of markets matter?

The short answer to this question is “yes,” especially if you’re withdrawing money from your portfolio when the markets are in decline.

Consider a hypothetical scenario where two people – Mary and Mark – have nearly identical situations but end up with completely different outcomes due to one key difference: *when* they each decided to retire. Since Mary retired during a **bull market**, she still had a considerable amount of money 20 years later. But Mark retired during a **bear market** and as a result, he has significantly less left in his portfolio in just around 20 years.



**Mary**  
retired during bull market

- Retires at age 65 in 1995
- Has retirement portfolio worth \$250,000
- Withdrawals taken at the start of the year are 5% of original \$250,000 portfolio value or \$12,500 annually for all years
- Average annualized return over 20 years is 11.74%
- **20 years later, portfolio is worth \$1,009,907.**



**Mark**  
retired during bear market

- Retires at age 65 in 2000
- Has retirement portfolio worth \$250,000
- Withdrawals taken at the start of the year are 5% of original \$250,000 portfolio value or \$12,500 annually for all years
- Average annualized return over 18 years is 7.03%
- **20 years later, portfolio is worth \$67,940.**

## Notable market crashes in history



### Tulip Mania Bubble of 1637

In the Netherlands, prices for tulip bulb contracts had skyrocketed with a single tulip bulb selling for more than 10 times the annual income of a skilled craftsman. When people decided to sell and crystallize their profits, prices quickly fell, causing many to panic and sell regardless of losses.

### Panic of 1792

Prominent bankers attempted to drive up prices of U.S. debt securities and bank stocks, but when they defaulted on loans, prices fell, causing a bank run.



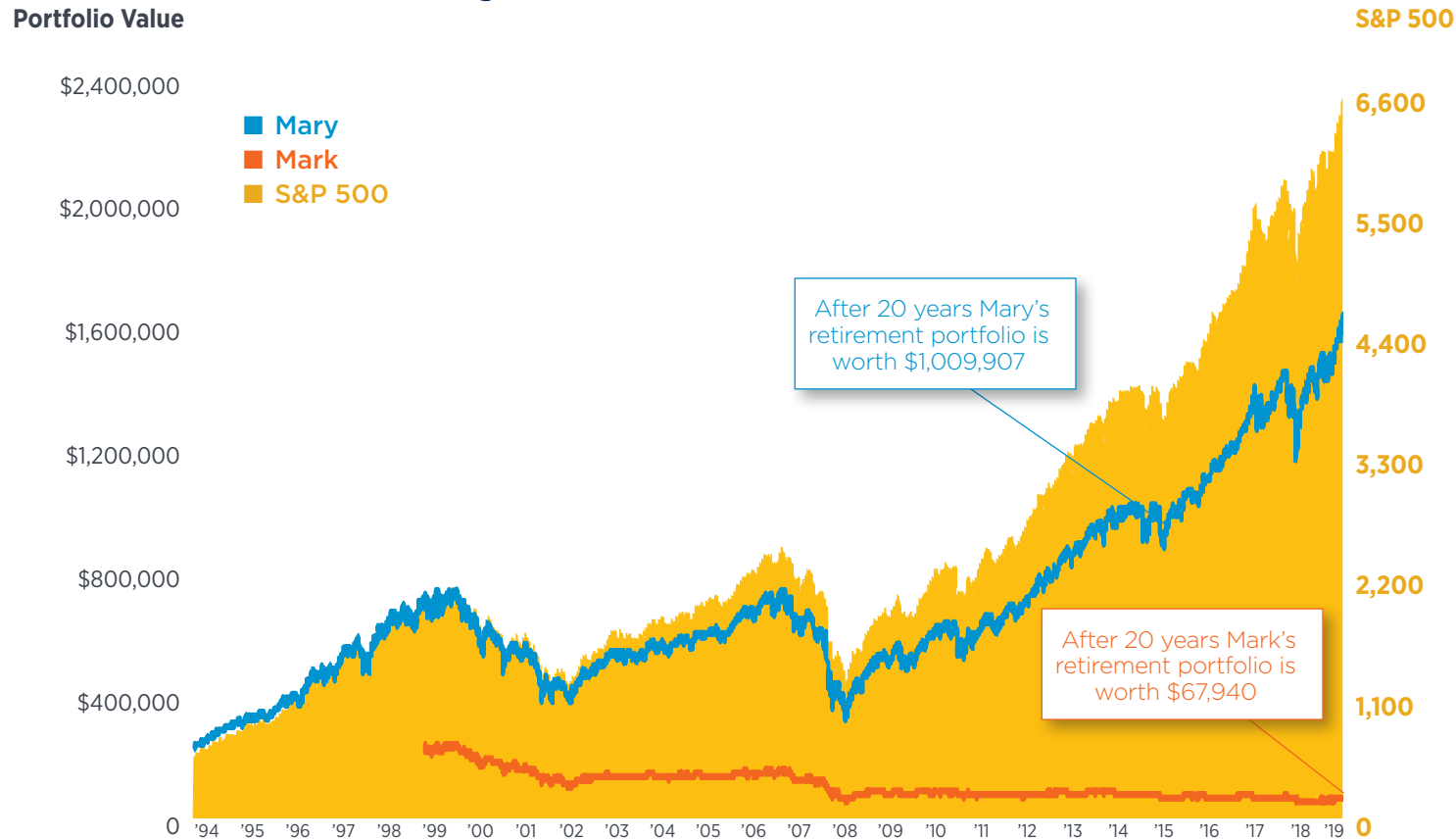
### Wall Street Crash of 1929

This crash began on October 24, 1929 and it was the most devastating stock market crash in US history, ushering in the following 10-year Great Depression that affected all Western industrialized countries.

### Black Monday of 1987

On October 19, 1987 stock markets around the world crashed with stocks dropping 22% on the day. Possible causes for the decline included program trading, overvaluation, illiquidity and market psychology.

## Timing of Returns Matters in Retirement



## Timing of markets does matter

As you can see, the timing of Mary and Mark's returns had a major impact to their assets. The only difference was the unfortunate timing of Mark's market losses.

**PAST S&P 500 INDEX PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS. THE S&P 500 INDEX IS NOT AVAILABLE FOR DIRECT INVESTMENT.** This hypothetical chart is for illustrative purposes only and not indicative of any particular investment product. The chart reflects reinvestment of dividends but does not reflect any product charges, fees or the impact of any taxes over the time periods shown, all of which if shown would lower performance.

The annual total returns of the S&P 500 are shown from 1/1/95 through 12/31/19, with each year beginning on 1/1 and ending 12/31 for each calendar year shown.



### Dotcom Bubble of 2000-2002

Right on the heels of Y2K came the infamous "Dotcom" bubble. After years of soaring speculations about the potential of a company with a ".com" in its name, this bubble finally burst. In fact, the NASDAQ Composite Index fell 78% for 30 months following its peak in March of 2000.<sup>6</sup>

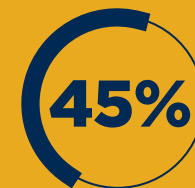
<sup>6</sup> money.usnews.com/money/retirement/articles/2009/02/12/how-did-your-401k-really-stack-up-in-2008



### Global Financial Crisis of 2007-2009

The Global Financial Crisis is considered the worst financial crisis since the Great Depression of the 1930s. It began in 2007 with a crisis in the subprime mortgage market in the U.S., and developed into a full-blown international banking catastrophe in 2008. 401(k) plan participants with \$200,000 or more in their accounts saw the value of their portfolios drop by an average of more than 25%.<sup>6</sup>

<sup>7</sup> Global Atlantic "Vote for your Retirement" 2020 Investor Study, Oct. 2019



**45% of investors have shifted/will shift to more conservative investments.<sup>7</sup>**



## Are you ready to bear a market downturn?

While it's impossible to predict market declines, if history is any lesson, we're overdue for another bear market. Remember:

- Market conditions are cyclical: it's good to prepare for bear market downturns even during periods of positive bull market performance.
- When you experience losses to your account truly matters, especially if you've already started taking withdrawals from your account.

### Get ready for what's next

Talk to your financial professional today about how to help protect your money against bear markets while helping grow your assets.

## Want more Bear Facts?

Enclosed is an additional resource to help you prepare for bear market declines.

*[globalatlantic.com/downturndefense](https://globalatlantic.com/downturndefense)*

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