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DON'T LET MARKET CORRECTIONS DISTRACT YOU FROM YOUR BUSINESS



THE GOOD LIFE

By Merra Lee Moffitt, AWMA, CMFC, CFP,
Senior Partner, Wealth Strategist

In February, we've just seen big intraday price swings in the stock market that we have not seen for a number of years. On Groundhog Day, (February 2nd) the Dow dropped 670 points. Then on Monday, February 5th, dropped 1175 points. Then Tuesday, up more than 560 points from the beginning of the market that day. As I write this article, swings continue.

While remarkable, those large swings barely made it to a 'market correction'. Investopedia defines 'market correction' as:

"A reverse movement, usually negative, of at least 10% in a stock, bond, commodity or index to adjust for an overvaluation. Corrections are generally temporary price declines interrupting an uptrend in the market or an asset."

The high of the DOW, January 26th, was 26,616 and ended at 25,147 on February 5th. That drop was 10.06%, barely achieving the requisite 10% drop to be considered a correction. (All sources for DOW dates and numbers are from Yahoo.finance)

It has been more than two years ago that we had a correction. Remember when oil hit \$26 a barrel inciting fear that many oil companies would go bankrupt at the end of January 2016?

To serve as a reminder, market corrections are normal. Again, quoting Investopedia:

"Market corrections in the stock market are fairly frequent events. Over the long-term, a 10% pullback in stock prices occurs about once a year. Prior to the market correction during the second half of 2015, the stock market had gone nearly three years without a correction. They also tend to be relatively short-term phenomena. On average, a market correction lasts about three to four months. During the recent stock market dips in September 2015 and again in January 2016, in each case, the S&P 500 was able to retrace most of its gains within roughly two months of entering correction territory."

Some people get unnerved by such stock market swings and corrections. But, what does all this mean as a business owner? Your retirement accounts, business investment accounts, and personal investment accounts should be tailored to your time horizon and the purpose of those accounts.

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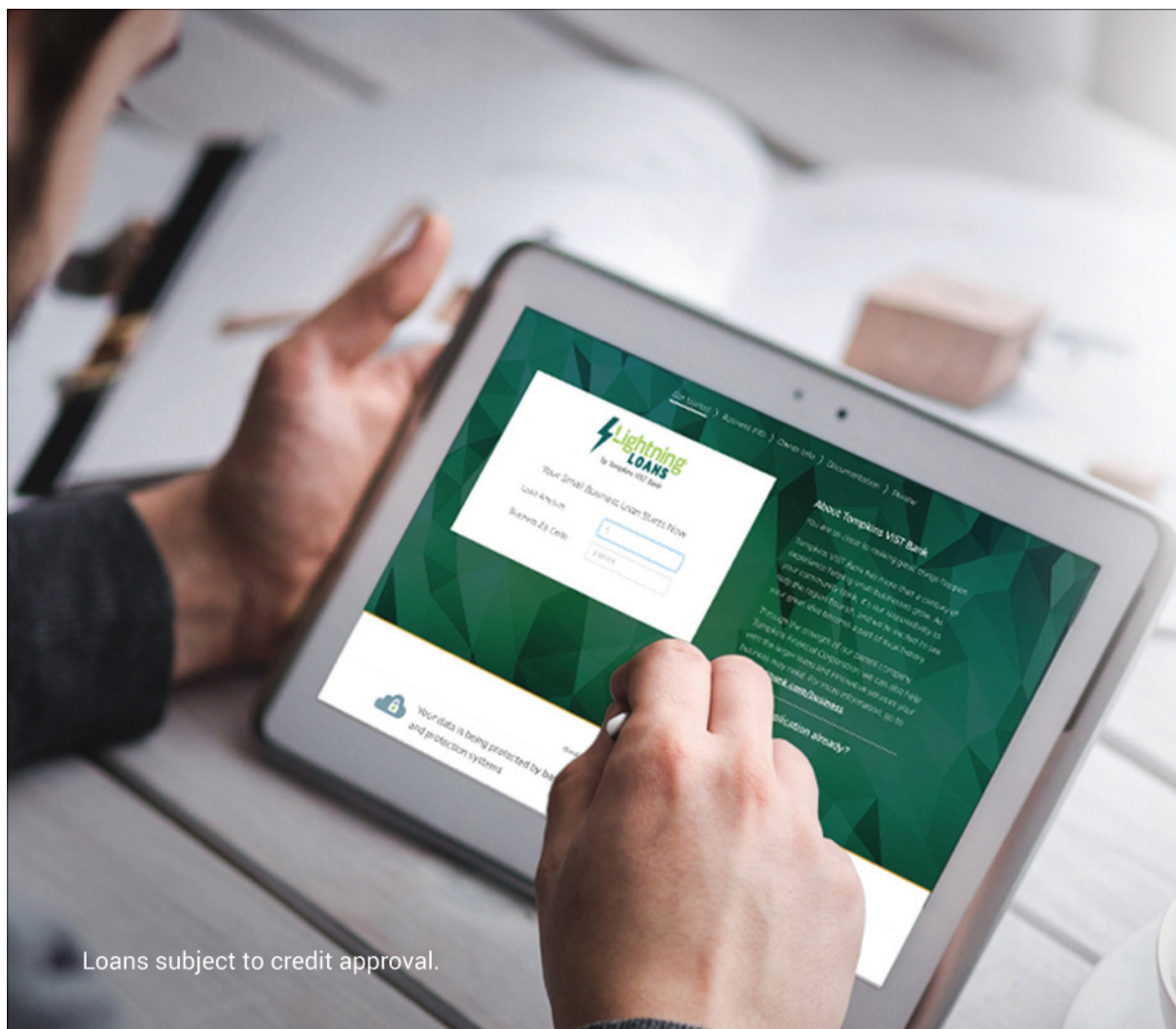
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Money that may be needed in the next year, should most likely not be invested in anything that could swing as much as the stock market. A business investment account that may be used sometime in the next five to seven years to potentially, maybe buy another business or expand into a new building should possibly be appropriately invested conservatively. That means that the majority of that account is not invested in something that swings as much as the DOW. Thus, short term downdrafts in your account might have time to recover, and potentially smaller in magnitude.

Retirement accounts that you might not start drawing from for more than twenty years (depending on your age) would normally be invested more assertively. That means the majority would be invested in the stock market and thus hopefully grow more over that time.

Unless your business is in distress and you might need to call on the retirement accounts as 'buckets of last resort'. While highly not recommended due to the penal-

ties and taxes consequences, your long-term retirement timeframe might just have become a short-term crises aversion. As a financial planner, we need to discuss any such possibility so as to try to be prepared.

My job as a Financial Planner is to try to help you plan for many of the ways your family and business can save towards your goals. Together with you, we try to balance saving and investment account selections with the time frame when they might be needed. Also, we'll pursue your being educated on the kind of risks and rewards for various investment choices. Having built your accounts around a plan that matches your goals, you could potentially (mostly) ignore market corrections and keep on track growing your business.

Merra Lee Moffitt, AWMA, CMFC, CFP, a small business wealth strategist for Good Life Financial Group, spends all day, every day, guiding business owners, capturing their financial dreams and goals from their small business profits. Okay, a shameless plug. I assist busy small business owners to pursue their financial goals every day. We find the time; we get creative; we help you achieve your goals. Call, click or contact me at 610-488-7353, www.MerraLee.net or merralee.moffitt@lpl.com.

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