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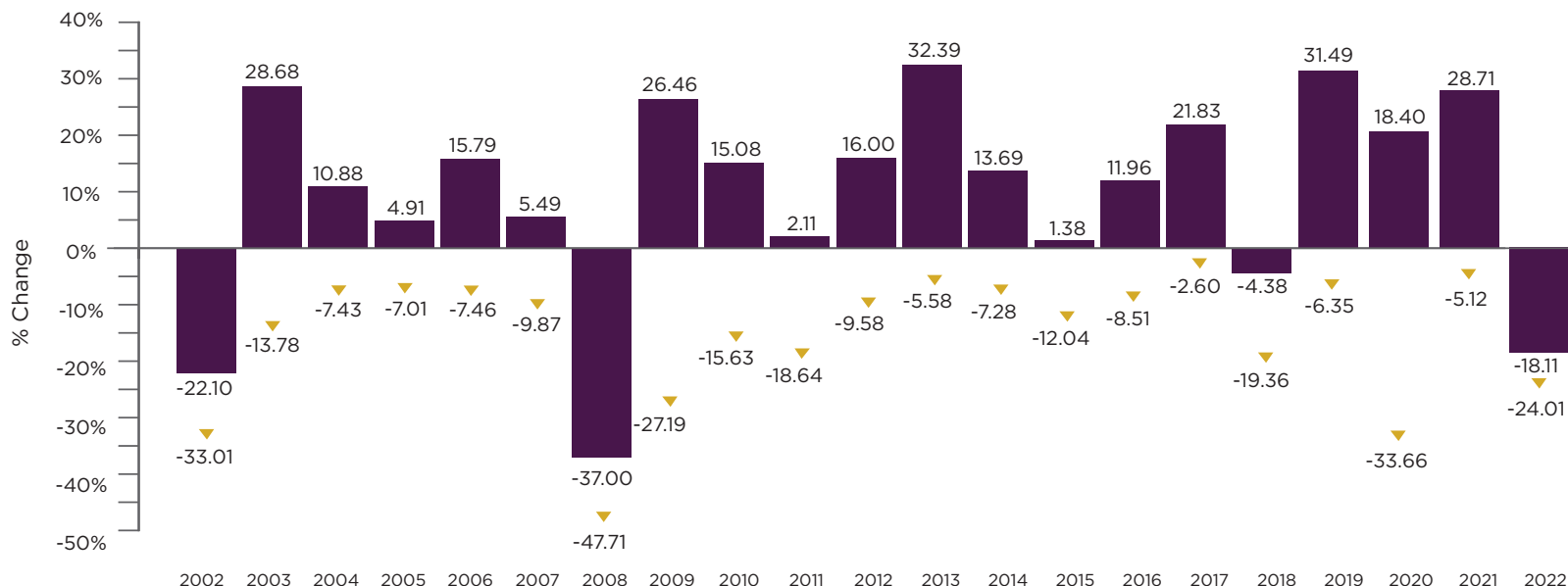
Riding Out the Drawdowns Can Be a Wild Ride

Intra-year dips in the S&P 500 TR Index happen frequently.

Equity investors should expect significant drops in value to occur every single year, even as they seek to capture the long-term growth that stocks have historically provided. This is a crucial concept for investors to understand because the fortitude to remain invested through market declines increases the odds of meeting long-term goals, and being able to live intentionally in retirement.

Because equities (A.K.A. stocks) have historically experienced long-term growth, many long-term investors have some equity exposure in their portfolios to fund future goals. But risk and return go hand-in-hand, and equity returns can be quite volatile. This is true even during “good” years when the stock market finishes the year higher than it began. Market drops may cause investors to doubt whether owning stocks is right for them. These fears are typically elevated by “breaking news” alerts on their smartphones and TV pundits proclaiming a market crash is imminent.

The chart below shows the last 20 calendar year returns for stocks, represented by the S&P 500 index (bar chart), as well as the max drawdown, or “peak-to-trough” decline, that occurred within the year (markers). Notice that large intra-year drawdowns have been a frequent occurrence, despite the fact that returns for the entire year were positive more often than not. Intra-year drops of 10% or more occurred in 10 of the last 20 years, for example, while only five years had a negative calendar year return.



■ S&P 500 ▼ DRAWDOWN
Data Source: Morningstar, January 2023

Assumes reinvestment of dividends and no taxes. Past performance is not indicative of future returns.
S&P 500 Index is a market capitalization-weighted price index composed of 500 widely held common stocks.
The index is unmanaged and not available for direct investment.