

## Back to the January Start

February 2018



### Perspective

The investing world always presents us with moments of “Firsts”. The news media is great at highlighting the first time the market did this or did that. However, they leave out much of the context.

For example, today the Dow Jones Industrial Average (Dow) decreased by its largest one-day point on record. This is a true statement. However, what else is true is that as the Dow increases in value over time, the larger point swings are inevitable. 1,000 point drops are very different when the market is trading at 25,000 points then at the 5,000 point level. At 25,000, it is a 4% drop while at the 5,000 level it is a 25% drop. Perspective is important.

Investors and news media will be quick to identify single reasons for the drop. This helps give investors the illusion of control and increases investor anxiety. The progression looks something like this:

- The stock market fell because of X,
- You should have known about X,
- You should have sold before the drop.

However, reality is much greyer and these bigger events are caused by a multitude of forces coming together. The timing is not so easy and should not be expected to be timed with accurate precision. The same expert that pretends to have seen this coming has probably been saying this for an extended period of time. As they say, even a broken clock is correct twice a day.

## Takeaway

As the title alluded to, we are broadly back to the beginning of calendar year 2018 stock market levels. For those investors that have gotten nervous and felt anxious after this bumpy start, this would be a great time to share with us those feelings. This could be a good test in how comfortable you are with your portfolio asset allocation. Portfolio allocation is only as good as the allocation the investor can stick with in the good and bad times. In the short-term, the market is very unpredictable and investors need to be prepared for either direction. Let us know if this market movement is cause for reanalyzing your intended personal race path.

We appreciate your business and look forward to talking with you soon.

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