



**FINANCIAL
CONCEPTS**

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August 2015

Market Corrections are Anything but Out of the Ordinary

The recent volatility in the equity markets can be frightening without the proper perspective. With this letter and attached essay by Nick Murray, we hope to provide some clarity and perspective to what we are currently seeing in the equity markets. A 'market correction' by definition is a decline in the equity markets of 10% or more. Looking back to the end of World War II, we have seen 53 such declines. So on average once a year we have seen a decline in the equity markets of 10% or more, and the true average of those intra-year declines has been a little over 14%. Taking that further, on average we have seen a decline of 20% or more in the equity markets once every three and half years. History has shown that stock market declines are a natural part of investing¹.

While what we are currently experiencing is a normal occurrence, as shown by its frequency over the last 69 years, we are all human, and human nature tends to have us worry when we see volatility in the market. While its human nature to have those feelings, historically reactionary decision making based on volatility in the market has been the wrong response. The equity market has a reassuring history of recoveries. Even including downturns, the S&P 500's mean return over all rolling 10-year periods from 1927 to 2014 was 10.54%².

We believe that one of the biggest keys to being a successful investor is staying focused on your long-term goals and objectives. As Nick Murray says in his attached essay, "If you are working, saving and investing over years and decades toward the great goals of life—children's education, a retirement characterized by dignity and independence, meaningful legacies—it has always been a great mistake to react to market volatility."

We know that it's neither fun nor pleasant to go through a market decline no matter the normalcy of the decline. This is when we earn our keep, providing perspective and guidance when you need it most! If you would like to talk more, please do not hesitate to give us a call at 662-327-1480.

Sincerely,

Rhonda S. Ferguson CFP®, CFS

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