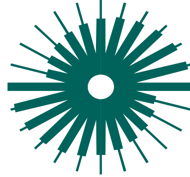


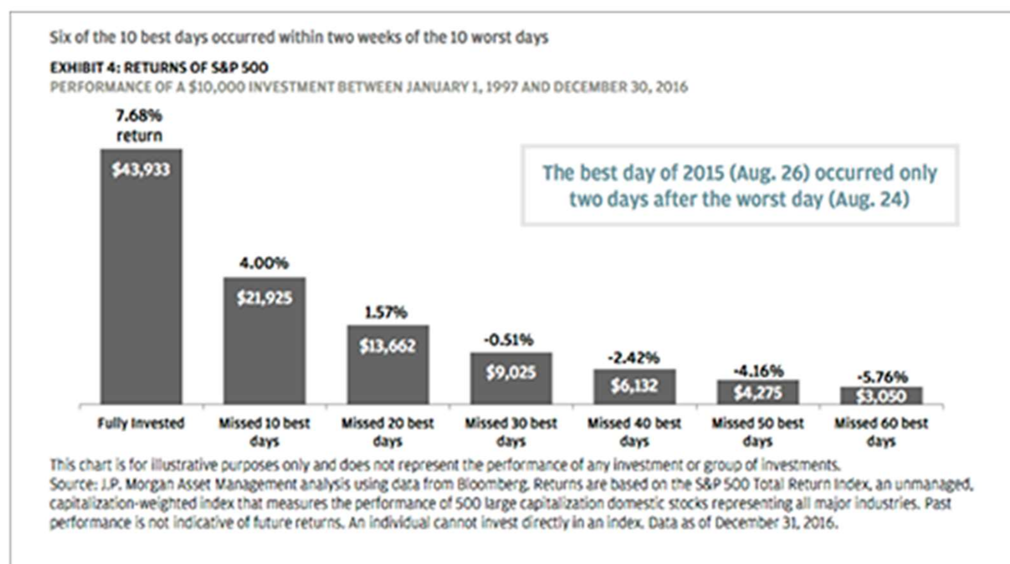
How Much Longer Will the Bull Market Run?

Investors have an anniversary coming up. The *secular* bull market—which rose from the ashes of the 2008-09 financial crisis—will celebrate its eighth anniversary on March 9, 2017.[1] We can thank this bull for driving the Standard & Poor's 500 Stock Index to an all-time high this week: On Monday, February 13, the S & P closed at 2,328.25.[2] A secular market is defined as a trend lasting 10-30 years.[3] *Cyclical* markets tend to be shorter, going up and down in tandem with business conditions and the economy.

This has been the third longest stock market upswing in U.S. history. Owing to both the maturity of this long bull and the simmering political and economic issues the world is facing today, many investors are starting to worry about volatility. We know that what goes up must come down—and we also know that late-stage bull markets tend to experience "breaks" periodically.[4] These breaks can be unnerving. The temptation, of course, is to take profits while the market is high, and reinvest during market breaks. But this leads to increased tax liabilities, increased investment expenses and the ever-

present risk of guessing the market’s direction incorrectly.

What we do know is that if you try to time the market and miss those days that the market rebounds, it’s likely that you will drastically reduce portfolio performance. Take a look at the chart below. It compares the performance of the S & P 500 Index in a portfolio that was fully invested from January 1, 1997 and December 30, 2016 to a portfolio that misses high-performing rebound days. Clearly, it has been beneficial to stay invested and not take the chance of missing the rebound. But you have to be able to handle the bumpy ride.



Diversification—Your True Portfolio Protector

We believe that the way to defend a portfolio is not to time the market—but instead, to build a well-diversified portfolio and rebalance on a regular schedule. A diversified portfolio allows you to stay focused on the long term, rather than becoming distracted by day-to-day market performance. Exposure to various types of assets (stocks, bonds, cash, real estate, etc.) positions you to profit during a variety of market conditions. Rebalancing ensures that you sell off some of those assets that have gained in value, and reinvest in those assets that are undervalued—in other words, you’ll be selling high and buying low.

Investors are constantly bombarded by conflicting opinions about the markets, but

committed, long term investors can stay above the fray by taking a long-term approach and not paying too much attention to daily market movements.

Working with your financial advisor will help you stay the course. They have the expertise to put your long term plan together in the first place and the experience of having seen the bull and the bear duke it out before.

Sources:

1 CNN.com: America's 7-year bull market: Can it last?

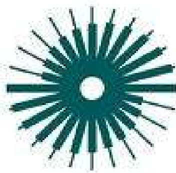
2 Wall Street closes higher: S & P tops $20 trillion

3 Investopedia: Identifying Secular Bull Markets vs. Secular Bear Markets

4 Preparing for Volatility

This newsletter was prepared by © Copyright Efficient Advisors 2017. Efficient Advisors 2017 is not affiliated with Wealth Design Group and Mutual Securities. Inc.

Please contact our firm for additional information



WEALTH DESIGN GROUP

Gary L. Pevey, CFP, CLU, ChFC
3445 American River Drive, Suite B
Sacramento, Ca. 95864
916-480-0669
gary@wealthdesigngroup.com

Investment advisory services offered through Wealth Design Group, a registered investment adviser registered with the state of California. Securities offered through Mutual Securities, Inc., Member FINRA/SIPC. Wealth Design Group is not affiliated with Mutual Securities, Inc.