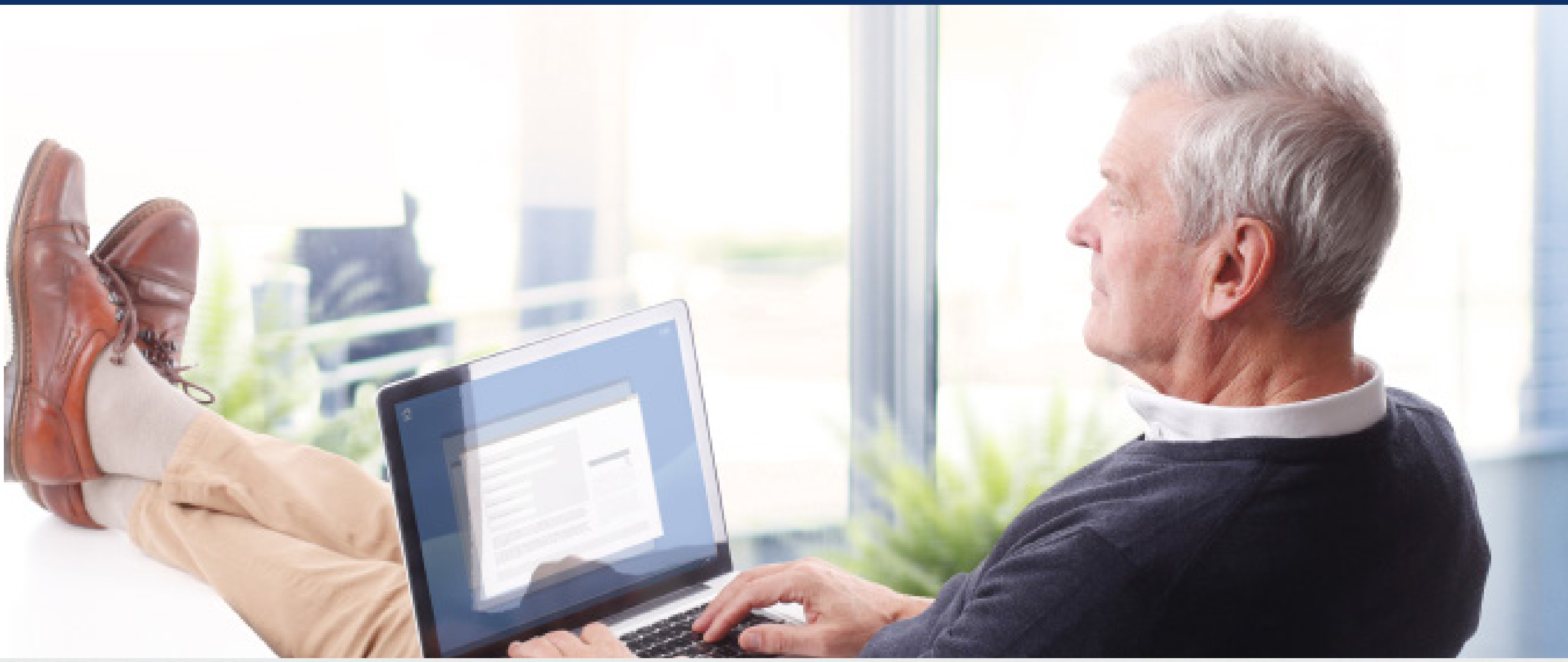

Calm, Steady and Common Sense Series

Perhaps the Best Sleep Comes from What is Keeping You Awake White Paper

The **Calm, Steady & Common Sense Series** explores how using emotion as your investment guide could cost you return on your investments.

The **Perhaps the Best Sleep Comes from What is Keeping You Awake** white paper discusses investor's concerns during a bear market as they contemplate what to do as the value of their stock portfolio declines.

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"Should I Stay or Should I Go?"

This was the title of the 1982 hit by the band The Clash. It is rumored that British musician, Mick Jones, who was one of the Clash's vocalists and songwriters, wrote this song to express his confusion as to whether he should remain with the band or leave. The song keys on the emotion of whether someone should remain with something or let it go completely.

When the stock market is declining, you may feel the same way about your investment portfolio. Some investors literally lose sleep as they contemplate what to do as the value of their stock portfolio declines.

Their concern may center on whether they should stay in the stock market despite what may seem like daily declines or whether they should sell and place their money in typically less volitile investments like bonds, CDs or money market accounts in an effort to get a better night's sleep.

The challenge in making this decision is that the headlines they read and the state of the overall economy in periods of market declines generally creates concern. The thought of the stock marketing going down further may create many a sleepless night while the decision of how to recover the money lost creates an equal amount of consternation.

"Should I Stay or Should I Go?"

While all bear markets and economic conundrums are different and past performance is never an indication of future results, perhaps what could be learned by historical bear markets is that once stocks have suffered a major loss, the general risk may lie in selling your stock investments out of fear. You may find that holding on to them may be a better strategy, particularly when recovering what you have all ready lost is a concern.

The chart on the following page illustrates historic bear markets for the S&P 500 during the period from July 1956 to March 2020.

Column One reflects market peaks prior to the beginning of the bear market and **Column Two** shows the trough, which is when the market hit bottom.

Column Three indicates the percentage the stock market was down since the market peak and, equally as important, **Column Four** shows how long it would have taken you to recover from the bottom of the market, what you lost had you stayed in the market. However, what you might also find of interest is the final column.

Column Five indicates the hypothetical rate of return you would have needed to recover your losses in the same time as the S&P 500, had you decided to leave the stock market in favor of bonds, CDs, or money market accounts.

As you examine the columns, you will generally find that the yield you would have needed in bonds, CDs or money markets to break even in the same period as by staying in the stock market would have been either difficult to achieve or simply historically not available.

Column 1	Column 2	Column 3	Column 4	Column 5
Market Peak	**Trough/Market Bottom**	**Percentage Correction Since Market Peak**	**Months to Recover***	**Hypothetical Annual Return on Bonds, CDs, or Money Markets Needed to Recover in Same Time Period as Equities****
July 1956	October 1957	-21.22%	11	29.60%
December 1961	June 1962	-27.97%	14	31.81%
February 1966	October 1966	-22.18%	7	54.99%
November 1968	May 1970	-36.06%	21	28.57%
January 1973	October 1974	-48.20%	69	12.04%
November 1980	August 1982	-27.11%	3	302.20%
August 1987	December 1987	-33.51%	20	28.20%
July 1990	October 1990	-19.95%	4	91.37%
July 1998	October 1998	-19.15%	2	441.02%
March 2000	October 2002	-49.15%	56	15.70%
October 2007	March 2009	-56.78%	49	23.00%
February 2020	March 2020	-33.79%	5	193.01%

***Source: Investment Strategy Group, DataStream, and Dunham & Associates Investment Counsel, Inc. Data from July 1956 through March 2020. Past performance is no guarantee of future results. Chart is provided for illustrative purposes only.

If you use the Financial Crisis of 2007/2008 as an example, you see that the stock market lost 56.78% during this period. You will also see that it took 49 months to recover what you had lost in that bear market.***

However, had you sold your stocks at the bottom of that market, you would have needed to earn a 23% annual return on your money to achieve the same rate of return as the stock market.

As many of you may recall, long-term bonds were generally below 4% and one year CDs and money market accounts were typically well under 1% between October 2007 and April 2013.***

It is important to note that the chart above does not include dividends that stocks pay and had this information been available for all periods, the time to recovery would be shorter and the return needed on bonds, CDs or money market accounts to break even, would have been higher.

If the market is declining, it could be difficult to remain calm and steady. You might consider seeking the counsel of a financial advisor and, while there are no guarantees, you may want to remain in the stock market as your best sleep may ultimately come from what had kept you awake.

*Months needed to recover are rounded up to the nearest whole number.

**For example, if the percentage correction was -25%, a total return of 33.33% would be required to recover. When annualized, if the months recover was 6, then the annualized rate would be 77.78%, and if the months to recover was 24, then the annualized rate would be 15.47%.

***Source: Investment Strategy Group, DataStream, and Dunham & Associates Investment Counsel, Inc.

Disclosures

Investments are subject to risks, including possible loss of principal. Investors should consider the investment objectives, risk factors and expenses of any investment carefully before investing. Diversification does not guarantee profit or ensure against loss.

The S&P 500, or the Standard & Poor's 500, is a stock market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ. The S&P 500 Index components and their weightings are determined by S&P Dow Jones Indices. It differs from other U.S. stock market indices, such as the Dow Jones Industrial Average or the Nasdaq Composite index, because of its diverse constituency and weighting methodology. It is one of the commonly followed equity indices, and many consider it an effective representation of the U.S. stock market, and a bellwether for the U.S. economy. You cannot invest directly in an index.

A bear market is defined as a market that is down 20 percent or more. A bull market is defined as a market that is up 20 percent or more.

All examples are hypothetical and are for illustrative purposes only. We encourage you to seek personalized advice from qualified professionals regarding all personal finance issues. The solution for an investor depends on their and their family's unique circumstances and objectives.

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