Young Investors Webinar Series

Investing in Your Future – Mind Over Market Corrections

You can click on each link to jump to the discussion of the topic.

Introduction

- An Introduction to Chicago Partners
    - We are a Registered Investment Advisor (RIA) headquartered in Chicago.
    - We are a company of fiduciary wealth advisors, or advisors who always act in the best interest of the client.
    - We choose and oversee investments for clients' portfolios, recommend and place trades in client accounts, build long-term financial plans, and facilitate general account management.

Part I: An Introduction To Market Corrections

- Definition
    - A market correction is when a stock, index, or the overall market drops 10-20% from its recent high. These are temporary pullbacks that happen when prices adjust after rising too quickly.
- Bear Market vs. Market Correction
    - A bear market, in contrast, is a drop of 20% or more from the recent high and often associated with economic recessions or slowdowns
- Different Types of Bear Markets
    - **Structural bear markets** usually have a decline of around 60% and can have up to a 10-year recovery time, **cyclical bear markets** can decline around 30% and can have a 2–5-year recovery time, and **event-driven bear markets** can decline around 30% and can have a 1-year recovery time.
- Average Frequency of Declines
    - Bear markets happen on average about once every 6 years while drops of 10% or more happen on average about once every 30 months.
- April 2025 Market Correction
    - The most recent market correction occurred in April of 2025 following President Trump's announcement regarding tariff policies. The S&P 500 declined more than 10% in the following 2 days.
- Market Corrections in Perspective
    - Market returns one year after an S&P 500 decline is generally positive. Being a long-term investor is key to compounding wealth.

Part II: Investor Psychology

- Investor Psychology
    - Beginning 2025, investors were feeling thrill and euphoria for the market outlooks. Four months into the year, investor sentiment shifted to panic and capitulation.
- Loss Aversion
    - The fear and greed index shows what emotion is driving the market today. It is currently at a 36, indicating fear driving the market.
- Staying Invested for the Long-Term
    - Despite dips in the market, general trend for the S&P 500 demonstrates long-term growth.

    - An initial investment of $100,000 in 2005 in the S&P 500 holds the value of $717,046 in 2024 for investors who remain invested. This value drops to $452,884 for investors who missed just the top 5 days in the market in those 20 years. This indicates the value of staying invested in the market for your long-term goals.
- Different Types of Risk
    - Shallow risk refers to volatility that causes temporary decline in your portfolio value. The value can recover in time. The best defense is to stay invested and diversify investments.
    - Deep risk refers to permanent loss of purchasing power when you sell investments and lock in losses. The best defense is to invest to protect against inflation and do not try to time the market.
- An Advisor's Role
    - When the markets are performing well, 80% of an advisor's role is to invest your capital, further your diversification strategies, and balance your portfolio for your long-term needs. 20% of their role is to coach clients on how to participate in the market and not let emotions drive their decisions.
    - When the markets are not performing well, this role shifts to 20% investing and 80% coaching.

Part III: Finding Opportunity in Market Corrections

- Tax-Loss Harvesting
    - Selling investments at a loss to offset capital gains taxes or reduce taxable income.
- Dollar Cost Averaging
    - Investing the same amount of money on a regular schedule instead of trying to time the market's lows and highs.
- Repositioning Your Portfolio
    - Individuals buy a car when they plan on holding it and using it for a long time.
    - If an individual plans on holding their car for a only few years, leasing may make more sense.
    - Vehicles are depreciating assets, once they are driven off the lot, the value drops.

Part IV: Actionable Steps

- Actionable Steps
- Reminders and Upcoming Topics for the *Investing in Your Future* Series