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Who is Right?

Democrats Say Recession, Republicans Say All Is Well

The 24 hour news is loaded with dire predictions as well as economic analyses that indicate that all is well. On one hand there is the argument that the inverted yield curve, China trade, Brexit and declines in other parts of the World are positive proof that our markets are headed for a crash. On the other hand, our own GDP growth, positive employment, consumer confidence and virtually no inflation are predictors of a bright future.

The truth is no one knows for sure... these are merely guesses. What is worse is that these prognosticators create fear of the future, but don't say what to do about it. Should you cash out your investments? Should you invest more?

If you are concerned, there is something that can be done. The action you take depends on how concerned you are, not who is right or who is wrong. If you are very worried that your retirement or other assets could be permanently eroded or that you will miss another opportunity if the stock market takes another leap forward, then there is action you can take to prevent a severe loss without taking the unwise step of selling your investments. According to a [DALBAR study](#), selling in turbulent times is unwise because historically, markets recover from severe declines within three months in 85% of cases. Your chances of recovery are nearly nine to one!

If you are convinced that the markets may be headed south and will not recover quickly, you can use a strategy called [Un-panicking Investors](#). With this strategy a small percentage of your portfolio is invested for a short time in an Index Put. With this strategy, you do not cash out your investments, so you participate if the market rises. On the other hand, the Index Put protects your portfolio since it increases in value if the market declines. The Index Put pays cash to an investor if the market declines in value. This strategy turns declines into profits, without touching your retirement or other investment funds.

[How it works...](#)

According to Cory Clark, DALBAR's Chief Marketing Officer, "Concerned investors would be far better off paying a few thousand dollars for this protection than abandoning their investment plan." He added, "While the best course is to remain invested, staying the course has proven to be very difficult in the face of predictions of doom."

More details on the market recovery are presented in the DALBAR paper, "Learning from History" which is included in [The Un-Panicking Investors Kit](#).

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