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BEAR MARKET STRATEGIES

If we are not in a bear market yet, we're getting pretty close. The definition is a 20% downturn or more over at least a two-month period of time.

There is nothing pleasant about a bear market—not the anxieties they cause, not the paper losses, not the relentless drip, drip, drip of reports in the media about this or that daily downturn. The gut instinct is to stem the losses by selling before the market goes down further, but locking in losses after the fact has, historically, almost always been the wrong move. Nevertheless, many people do it, and sell to wiser investors who prefer buying their investments on sale.

There is a saying on Wall Street to the effect that, during bear markets, investments tend to return to their rightful owners.

What is often lost in the market punditry and gloomy daily reports is how common bear markets have actually been in market history. Since 1929, there have been 28 downturns that met the technical definition of a bear market, or roughly one every 3.3 years. The 2007-8 downturn was a whopper; the markets lost just under 52% of their value before roaring back into one of the greatest, most intense bull markets in history. The short Covid-related downturn in 2020 was one of the quickest, lasting just 33 days before recovery.

Perhaps the hardest part of these sharp market declines is staying disciplined, and the hardest part of the discipline is rebalancing. Rebalancing, of course, takes place periodically, sometimes opportunistically, where the target mix of stocks , bonds and other asset classes becomes distorted. Bear markets distort the mix by reducing the percentage of stocks according to their reduced prices, and the disciplined action is to buy more stocks to compensate and return to the original allocations.

But buy stocks when the market is tanking? What kind of insanity is that?

Disciplined rebalancing has historically generated the best results during market downturns, when you're adding risk assets (stocks, primarily) at a time when they're on sale, at some point before the next recovery has started kicking in. It can also be beneficial when the markets have been rising; you sell risk assets when they're unusually pricey.

Bear markets are also an opportunity to share some of your pain with the government. You do this by 'harvesting' losses in the portfolio, which can be used to offset income or portfolio gains. Normally, the position with a loss is sold, the loss can be used to reduce what you pay in taxes, you buy a similar (but not identical) asset so you're not missing any market recovery, and after 61 days have passed you repurchase the original asset.

These are activities that can make you money during downturns, but one must admit that they aren't fun, and in some cases they directly contradict what your instincts might be telling you to do.

It might help to remember that your instincts were honed over hundreds of thousands of years, to optimize your brain to recognize the right time to stalk a herd of antelope or dig dwarf yams out of the ground. It may take a few more hundreds of thousands of years before our brains are optimized to stalk better stock market returns

Bear Market Declines: the bad and the ugly

Dates	Decline Percentage	Length in Days
9/7/1929–11/13/1929	-44.67%	67
4/10/1930–12/16/1930	-44.29%	250
2/24/1931–6/2/1931	-32.86%	98
6/27/1931–10/5/1931	-43.10%	100
11/9/1931–6/1/1932	-61.81%	205
9/7/1932–2/27/1933	-40.60%	173
7/18/1933–10/21/1933	-29.75%	95
2/6/1934–3/14/1935	-31.81%	401
3/6/1937–3/31/1938	-54.50%	390
11/9/1938–4/8/1939	-26.18%	150
10/25/1939–6/10/1940	-31.95%	229
11/9/1940–4/28/1942	-34.47%	535
5/29/1946–5/17/1947	-28.78%	353
6/15/1948–6/13/1949	-20.57%	363
8/2/1956–10/22/1957	-21.63%	446
12/12/1961–6/26/1962	-27.97%	196
2/9/1966–10/7/1966	-22.18%	240
11/29/1968–5/26/1970	-36.06%	543
1/11/1973–10/3/1974	-48.20%	630
11/28/1980–8/12/1982	-27.11%	622
8/25/1987–12/4/1987	-33.51%	101
3/24/2000–9/21/2001	-36.77%	546
1/4/2002–10/9/2002	-33.75%	278
10/9/2007–11/20/2008	-51.93%	408
1/6/2009–3/9/2009	-27.62%	62
2/19/2020–3/23/2020	-33.92%	33

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PROTECTION AGAINST THE UNEXPECTED

One of the most frequent complaints about our medical care system is the unexpected (surprise) items on your medical bill after a procedure. Like the out-of-network anesthesiologist who bills thousands of additional dollars after you carefully scheduled a procedure at an in-network facility, with an in-network surgeon. Or the expensive ambulance ride that turned out to be out-of-network. (If you need a ride in an ambulance, chances are you weren't in an ideal position to schedule it.) A recent survey found that for people in large employer plans, 18% of all emergency visits and 16% of in-network hospital stays had at least one out-of-network charge associated with the care.

That doesn't count so-called "balance billing," where a physician might bill a patient directly for services rendered. A more comprehensive survey found that 39% of insured non-elderly adults received an unexpected medical bill in the previous 12 months.

In an attempt to stem this flow of dollars out of consumers' pockets, Congress passed the No Surprises Act, which went into effect on January 1. The bill would end many of these out-of-network surprise expenses, and specify that if you choose to receive services from an out-of-network provider, or if an out-of-network provider happens to show up on your service team, you cannot be billed more than an in-network cost. The new law also requires health care providers and facilities to give you an easy-to-understand notice explaining whenever you are getting care out of network, and your options to avoid balance bills. You are not required to sign that notice or get care out of network.

Beyond that, people can protect themselves by asking their insurance providers, directly, what will be covered (or not) under the policy, and to ask their doctor how a medical procedure will be coded for billing purposes. If you elect to have non-emergency surgery, make sure everyone with whom you interact with and who participates in the procedure will be in-network. You can also comparison shop prices for different procedures using the Healthcare Bluebook.

Source:

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NOT YOUR FATHER'S RETIREMENT: BETTER

Inflation is up, the markets are down, and millions of Americans have, until recently, been forced to sit on the sidelines of the job market. Baby Boomers entering retirement have it a lot tougher than their parents did, with their cushy pensions and cheap home prices.

Right? A recent article in the Bloomberg press disputes this commonly-held view. It notes that for most of human history, people worked until they were physically unable, and then spent the remainder of their lives either poor or dependent on family for food and shelter. This changed in the mid-20th century with Social Security and various pension programs, which created that purported golden age of retirement in the 1960s and 1970s.

The article notes that even at their peak, only about 38% of private sector workers had one of those cushy defined benefit plans, and they tended to be the highest earners who had the least need for them. One report estimated that 57% of U.S. workers have some form of retirement plan—and that may be a low estimate. A study by the National Bureau of Economic Research found that 56% of 65-year-olds, 65% of 70-year-olds, 69% of 75-year-olds and 69% of 80-year-olds were receiving pension income.

When you factor in all retirement accounts, pension plans, bank accounts, stock portfolios and Social Security, IRS records show that people today have more or almost the same income as previous cohorts of retirees. Beyond that, there are many more opportunities for part-time work years into retirement for people who want to improve their financial situation after their careers have ended. If there is a golden age to retire, it might be now.

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