

What Now?

On July 15, 2008 the S&P 500 Index dropped to 1215, marking a 22.4% decline since its all-time closing high of 1565 on October 9, 2007. By experiencing a decline in the S&P 500 Index of greater than 20%, we are now officially in a bear market. This marks the 10th bear market for the index in the past 51 years. With all of the market volatility experienced in the stock market recently, many investors are asking, "What now?"

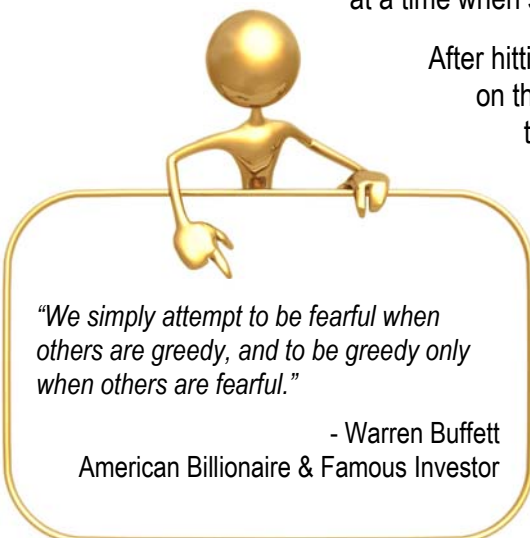
In each of the nine previous bear markets since 1957 where the S&P 500 has dropped at least 20% from a previous high, the stock market eventually recovered 100% of the loss sustained (going above the previous bull market high). The average time the stock market took to recover back to a new record closing price from the low point in the downturn was 23 months.¹



Looking back further, the average bear market drop in the broad S&P 500 index is 34% and the recovery time is 20.3 months. The first bear market on record for the S&P 500 was also the harshest and the longest. It began on March 6, 1937 and continued for 62 months, during which time the S&P 500 Index lost 60% of its value. By contrast, the stock market decline of 1987 preceded one of the two shortest bear markets on record. The S&P 500 lost 34% and quickly recovered 20% of its losses within only three months.²

Shifting from stocks to bonds or fixed income funds when the market is down will lock in losses. Until you sell, you have not incurred a loss; rather, the value of the shares you own have fluctuated downward. As these fluctuations occur, you have an opportunity to purchase additional shares of the same mutual funds you are holding, but at lower prices. As you do this, you increase your percentage return when the market recovers.

Stay on track, continue your strategy. Stock market cycles often cause investors to do the wrong thing at the wrong time. Historically, during periods when equity returns have been low, many have left – at a time when stock values have been most attractive.



"We simply attempt to be fearful when others are greedy, and to be greedy only when others are fearful."

- Warren Buffett
American Billionaire & Famous Investor

After hitting a bear market low on 10/09/02, the S&P 500 rose 3.5% on the next trading day. After hitting a low of 1215 on 07/22/08, the S&P 500 Index gained 2.5% the next day. Only 1% of all trading days in the last 50 years have produced 1-day gains of at least 2.5%.³

Consider the historic returns following bear markets and the possibility of capturing the best days of the market in the long-term by remaining patient and invested today.

We stand ready to answer questions about your portfolio and strategy at any time. Please do not hesitate to contact us at 1-800-880-401k.

¹By the Numbers publication dated July 22, 2008. ²Fidelity Market Commentary 07.18.2008. ³By the Numbers publication dated July 22, 2008. Past performance is no guarantee of future results.

This material is written by Alliance Benefit Group. The information contained herein is based on data gathered from what we believe are reliable sources. However, NFP Securities, Inc. does not attest to its accuracy and is not responsible for errors and/or omissions. The opinions expressed in the enclosed article are those of the author and are not necessarily the same as those of NFP Securities, Inc. It is not intended to be used as a primary basis for investment decisions. It should also not be construed as advice meeting the particular investment needs of any investor. Neither the information presented nor any opinion expressed constitutes a solicitation for the purchase or sale of any security.

Securities offered through NFP Securities, Inc. a Broker/Dealer and Member FINRA/SIPC. Investment Advisory Services offered through ABG Investment Advisory Services, Inc. a registered Investment Advisor. NFP Securities, Inc. is not affiliated with ABG Investment Services, Inc.