THE FINANCE COUPLE™

TWO PERSPECTIVES WITH ONE FOCUS... YOU

Frame of Reference, Redux

June 2022

"He that cannot abide a bad market deserves not a good one." – John Ray

Last month, we discussed how your frame of reference may not only influence how you "feel" about the world, but how it could also influence your financial decisions, for better or for worse. Accordingly, we'd like to try and help reframe your perspective, since emotions are running high (on fear, rather than the greed that was felt for almost two years prior). To do so, we are going to borrow words from a prior newsletter again, in the belief that good financial lessons are timeless.

"I was asked one day last week how the market fared for the day. My response was three-fold: First, I said that I was not quite sure, nor was I particularly interested. Second, I said that I hoped the market pulled back even further. Last, after noticing the look of astonishment having heard those first two thoughts spoken from a financial advisor's lips, I said, "Look – we have been here before, and we will be here again – the challenge is what you do during these times." Without being flippant, I really do not care how much the stock market goes up or down on any one particular day. The fact of the matter is that if you own stock, then you should have at least a ten-year outlook. Thus, one day is but a blip on the screen – or better yet, simply one of 3,650 days."

"Part of our job, and why we touch base so consistently, is to help people retain the proper frame of reference. As an example, I recently spoke with a client who was concerned about the markets, the economy and inflation. We agreed the markets were suffering, the economy was slowing, and inflation had reared its ugly head. However, to balance the frame of reference, I told her that a slowing economy could mean rising unemployment. Rising joblessness can remove the concerns of an inflationary tight labor market, giving the Fed room to drop rates to stimulate the economy. And, oh by the way, if she thought stocks were a good buy nine months ago when the market was doing well, she should like them more now that they are cheaper! My point was not to have her become an optimist, but rather make sure she was not being guided by emotions and/or recent memory."

I hope this helps, but for more frame of reference, see the S&P 500 graphs on the following page, and notice how time can change everything! And by the way, the newsletter referenced above was from March of 2008, at the beginning of the Great Recession - which, at the time, was one of the worst financial calamities of all time, yet one which was probably forgotten too soon.

As always, thank you for your friendship and trust – and have a great start to Summer!

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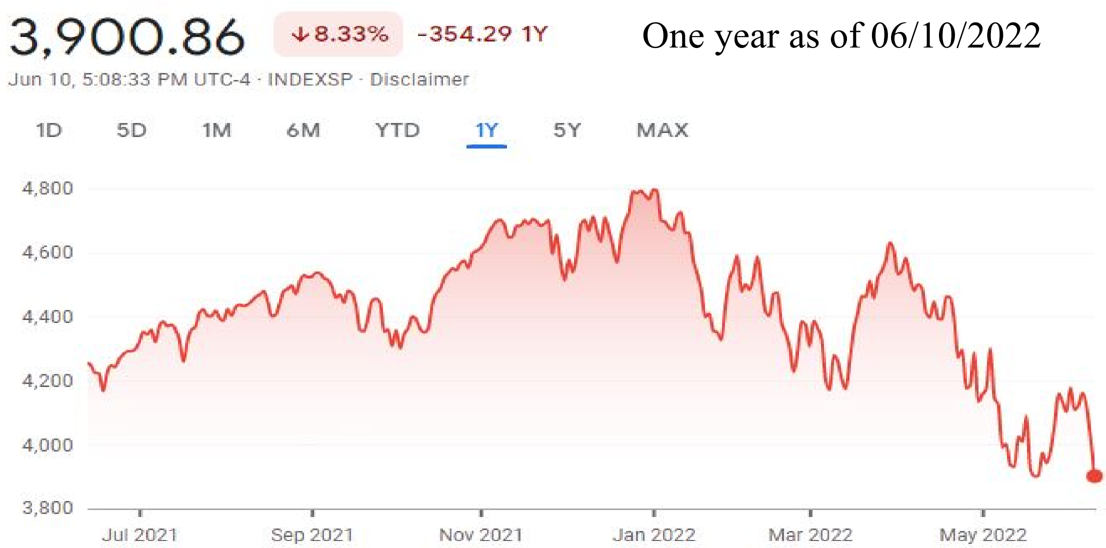
Year to date as of 06/10/2022

One year as of 06/10/2022



Five years as of 06/10/2022

The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

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