SHELTON Financial Group

October 31, 2018

Work hard. Plan smart. Live well.

PAUSE DIP CORRECTION BEAR CRASH

Source: Shelton Financial Group, Inc.

Percentage Drop	Defined As
Less than 5%	Pause
5% - 10%	Dip
> 10%	Corection
> 20%	Bear Market
>50%	Crash

Several terms and phrases are commingled by many investors and pundits when discussing a drop in the stock market. Allow me to provide some clarity. This chart shows you our definition of six market occurrences. None of these decreases are pleasant, but to be a successful investor, one must recognize that over-reaction to the most frequent (and minor) declines is counterproductive. In the last several years we have seen market dips and corrections driven by the H1N1 virus (global pandemic), Greece debt crisis, Bird Flu (global pandemic), Flash Crash, U.S. debt crisis, Hurricane Sandy, Fiscal Cliff, Boston Bombing, Swine Flu (global pandemic), Sequestration, Detroit files bankruptcy, S&P downgrades U.S. debt rating, Ebola (global pandemic), European bailouts (Ireland, Greece, Portugal), Russia invades Crimea, and ISIS, just to name a few. Tomorrow it is likely to be something new. Pauses, dips, and corrections are a normal part of investing and must be seen as the necessary pain required to gain access to the ***possibility*** of better market performance. It is not unusual to see several dips in a single year. In fact, there were 24 drops of at least 5% in 2008 alone*. Some years there are more, some years less. Below are three basic questions, and in my opinion principles for investing

Q. Can I avoid the pause, dip or correction?

A. Yes. Don't invest in the stock market. Short of that, I've not seen a system that consistently avoids the pause, the dip or the correction frequently enough to be called effective.

Q. Can I avoid the Bear?

A. Maybe. But only if you have a tested process for making changes to your portfolio. It has to be a system, a methodology, a formula, not a hope and a prayer. For the record, we call this tactical management. There are firms with a track record of doing this. Some are better than others.

Q. What should I do?

A. Decide on an investment plan and then stick to it. Jumping from idea to idea, concept to concept is usually a fruitless exercise in chasing yesterday's winners.

We totally understand the concern that market volatility causes in our clients, which is why we work so hard to make sure we have a solid investment plan in place BEFORE the markets get crazy. We are here to help you navigate the certainty of uncertainty called the stock market.

*Source: FactSet. Standard & Poor's. J.P. Morgan Asset Management. Guide to the Markets U.S. Data are as of September 30, 2015.

Jeff Shelton is the Founder and President of Shelton Financial Group (SFG). SFG is an independent financial planning group that strives to improve the lives of clients by delivering genuinely personal pre-retirement planning, asset management, post retirement income planning, and wealth management. Since 1990, Jeff has been helping clients plan, prepare for and enjoy their retirement.