

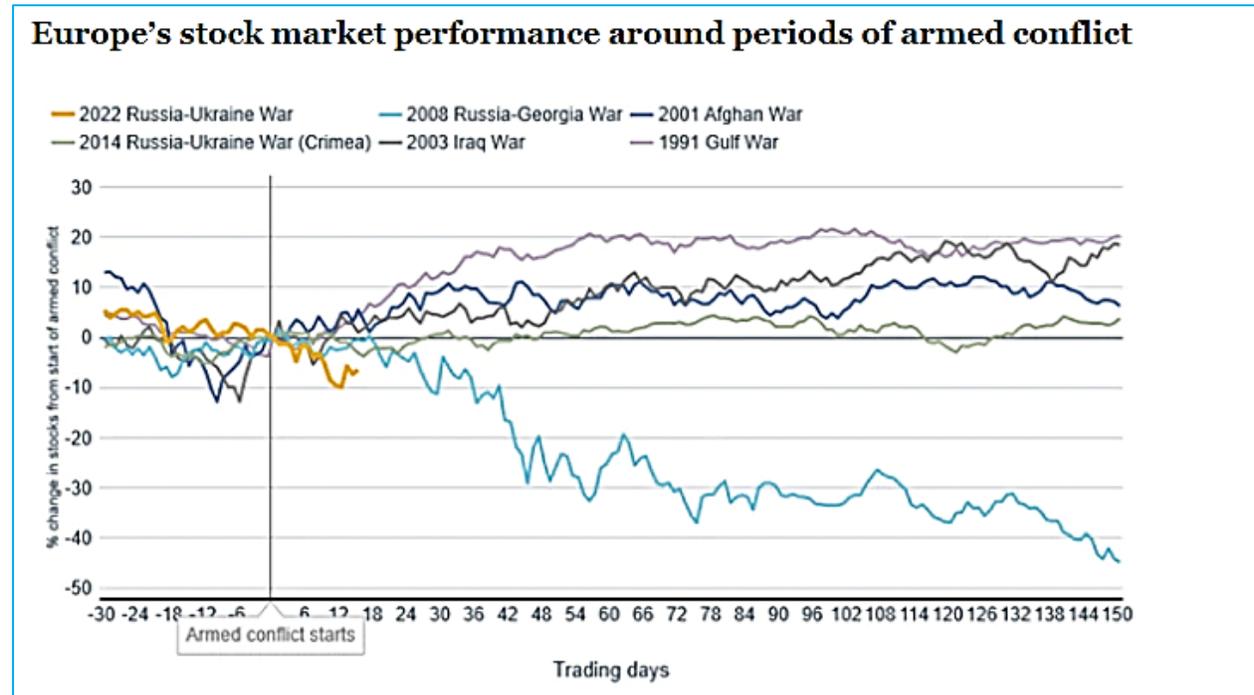
Is It Time for Panic in Your Portfolio?

By: Bob DiMeo, Chief Executive Officer

The tone for a volatile stretch in stocks was set in early February when Amazon recorded the largest ever one-day gain in stock value for a U.S. company. Just 24 hours earlier, Facebook parent Meta Platforms suffered the largest ever daily loss. This was followed by great human tragedy and more market volatility when Russia invaded Ukraine. Add surging inflation to the mix and you may be asking yourself: *Is it time for panic in your portfolio?* Perhaps not, but now is a great time to reset perspective.

Observing how wars have historically impacted stocks, geopolitical turmoil rarely has a lasting effect on global economies and market performance. It is important to note that though Russia is a global player and the world's 11th largest economy, it accounts for just 1.75 percent of global GDP and an even smaller share of global equity market capitalization.¹

The chart below reveals that geopolitical conflicts, including those involving energy centric countries, resulted in stocks posting *gains* after most periods of armed conflict. The only exception over the past 30 years was when an economic recession followed (2008).



Source: Charles Schwab, Macrobond, European stocks measured by STOXX 600 Index. As of March 13, 2022. Past performance does not indicate future performance and there is a possibility of a loss.



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What Should Investors Do?

At Fiducient Advisors, we understand the dangers related to attempting to time markets and instead prefer this more intentional approach:

- ✓ Develop an investment strategy based on your unique *Inflows – Outflows – Required Return* and pay special attention to risk tolerance in this setting
- ✓ Construct a broadly and thoughtfully diversified portfolio utilizing both active and index strategies
- ✓ Adopt a systematic approach to rebalancing your portfolio

Market volatility ushered in the new year and 2022 may play out very differently than the past couple years of extraordinary returns for stocks. During difficult times, it can benefit investors to ground themselves in sound investment principles and access useful resources. Periodically, I review a list of *61 One-Sentence Financial Rules* presented by Morgan Housel. You'll find a dozen of my favorites that seem especially applicable in our current environment below.

One-Sentence Financial Rules

By Morgan Housel

There are 56,956 personal finance books on Amazon.com. In aggregate, they contain more than 3 billion words. This seems absurd, because 99% of personal finance can be summarized in nine words: Work a lot, spend a little, invest the difference. Master that, and the other 2.999 billion words are filler.

The most important finance topics don't require details. Most can be, and should be, summarized in a sentence or two.

Here are some I've learned.

1. Dollar-cost average for your entire life and you'll beat almost everyone who doesn't.
2. Every five to seven years, people forget that recessions occur every five to seven years.
3. You're twice as biased as you think you are (four times if you disagree with that statement).
4. Read more history and fewer forecasts.
5. It's strange that you go to the doctor once a year but check your investments once a day.
6. You're only diversified when some of your investments perform worse than others.
7. When in doubt, choose the investment with the lowest fee.
8. Change your mind as often as the facts change.
9. Ignore people who refuse to change theirs when the facts change.
10. Admit when you are wrong.
11. Imagine how much stuff you'd have to make up if you were forced to talk 24/7. Remember this when watching financial news on TV.
12. During the last 100 years, there have been more 10% market pullbacks than Christmases. Everyone knows Christmas will come; think of volatility the same way.



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Increasing the odds of investment success is about having a game plan that provides a favorable chance of achieving your goals... and then reducing both noise and fear when the challenges roll in. Please reach out to me or any of the professionals at Fiducient Advisors with questions, and feel free to access additional resources below.

[Request all 61 One-Sentence Financial Rules here.](#)

[Podcast: Quarterly Quick Take – Key Updates with Brad Long](#)

[Fiducient Advisors' 2022 Outlook – Navigating Moderation](#)

[Inflation, the Fed, Correction; Oh My!](#)

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ⁱ Economy ranking as of 2020, the most recent data by The World Bank