Tucker Financial Services
Financial Planning to Get the Job Done
5835 SW 29th Street Suite 201
Topeka, KS 66614
Phone: 785-272-5000
Toll-Free: (800) 211-1496
Fax (785) 272-6725
Web: www.tuckerfinancial.com

Email Commentary – October 14, 2014

Last week, we saw an acceleration of selling across all markets, with fears of a global economic slowdown reported as the primary culprit. All markets have languished since their peaks in the summer and early fall. The large-cap stock dominated Dow Jones Industrial Average[1] and the Standard and Poor's 500[2] are currently down -4.2% and -5.2%, respectively. The small cap Russell 2000[3] is in correction territory with a decline from peak of -12.8%. Hurt even worse is the developed foreign markets index MSCI EAFE[4] with a decline of -14.1%.

At this juncture, it is important to keep in mind three things:

1) A correction does not a bear market make.
2) Even bear markets recover.
3) Stock market corrections do not affect each portfolio in the same way.

Corrections of 5% to 15% come along surprising often. According to Investech Research, we can expect a 5% correction, on average, once every seven and a half *months*, and a 10% correction once every 27 months. In fact, during this current bull market which began in March of 2009, we have seen 12 corrections of at least 5%, and three corrections of at least 9.9%.

Corrections are almost impossible to predict and manage, because they are so short in duration, usually no more than a few weeks or a few months in length. Bear markets, a dip of 20% or more, usually last longer and can impair wealth and income for much longer periods -- but they, too, end. For investors accumulating wealth, a bear market can be your friend, as it allows you to accumulate more shares at cheaper prices. It's like stocking up on your favorite cereal when it goes on sale!

But for those taking income from their retirement accounts, bear markets can be unkind, since you don't want to be selling shares for income when they go down in value. Management of your portfolio takes on more importance, which leads to the third item mentioned above: Not all portfolios will be affected the same way. We strive to allocate your investment accounts to match your goals and situation in life, and we can take action if it becomes necessary due to changing economic, portfolio, or individual circumstances.

As always, thank you for your ongoing confidence and loyalty. Please call us if you have concerns or questions!

The statements above are the opinion of Kevin N. Tucker, CFP, as of October 14, 2014, and are subject to change at any time without notice. The above statements are not a recommendation of any investment product nor a solicitation to buy or sell any security. Past performance is not an indication of future results.

[1] *The Dow Jones Industrial Average(DJIA) is an index of 30 stocks traded in the US that represent a cross section of industries.An investment cannot be made directly into an index. Past performance is not an indication of future results. Future returns are not implied nor guaranteed in any way.*
[2] *The Standard & Poors 500 Index (S & P 500) is an unmanaged index of large company stocks considered to be representative of the US stock market. Investment cannot be made directly into an index. Past performance is not an indication of future results. Future returns are not implied nor guaranteed in any way.*
[3] *Russell 2000 is an index of 2000 smaller-company stocks traded in the US.*
[4] *The MSCI EAFE (Europe, Australasia, Far East) is an index considered to be representative of the returns of 21 developed foreign stock markets. It is a total return index. An investment cannot be made directly into an index. Past performance is not an indication of future results. Future returns are not implied nor guaranteed in anyway.*

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