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A Secular Bear Market May Require Changing up the Strategy:

Tips for Managing Finances during the Great Recession

CHICAGO, IL (April 9, 2009) – This isn't the first time the country's faced economic uncertainty, but this is a once-in-a-generation confluence of events that have not only led to a severe market downturn but a ferocious contraction of the global economy. To have an economic crisis of this magnitude occur at a time in our nation's history when a record number of people are in or within arm's reach of retirement is significant.

“In fact, it's likely that we could be in a secular bear market,” says Lisa Dickholtz, Founder of Dickholtz Wealth Management. Secular trends are major bull or bear trends that generally last for a decade or two. Cyclical trends are minor bull or bear trends within a secular trend. “With that as a possible time horizon, our planning lens must change to ensure we both protect any existing wealth while taking advantage of the eventual bull rallies that periodically occur within the secular bear market. The combination of the severity of the market's contraction and the possibility of an extended downturn means managing finances in a very different way,” says Dickholtz.

While there is no general prescription that will solve the woes of all investors, there are common factors to consider. Any tactical move made should be a function of the safety of income stream, how much is already saved, and framed by life stage and goals.

- There's no question that especially for those in the 20 to 30 year-old range, the down market is a buying opportunity. What's more, plummeting home values coinciding with low interest rates have created the perfect storm of opportunity for qualified first-time homebuyers.
- Investors in their 40s and early 50s need to adopt the discipline of buying selectively in the downturn – and then selling selectively in the eventual upturn. For those who have not invested heavily in the market, it's a good time to get in. For anyone ready to commit to adding funds to the market, it may be wise to use the automatic contribution option, similar to a 401(k), with your other investment accounts. However, if a significant nest egg is already in place, consider managing that more conservatively than the new dollars invested into the market. It's equally necessary to manage any existing debt to avoid being overly leveraged in an environment where income taxes, property taxes, and the cost of living are likely to rise.
- Of course, investors in the 50 to 60 year-old group who are closing in on retirement have less time to recover from the recession's blow. According to the Employee Benefit Research Institute's recently published "The Impact of the Recent Financial Crisis on 401(k) Account Balances," 401(k) investors with more than \$200,000 in account balances had an average loss of more than 25 percent from January 1, 2008 to January 20, 2009. For many, that may mean delaying retirement or taking a part-time job. For this age group, the recession combined with increasing longevity requires a shift in their focus from return on investment to reliability of income, know as the New ROI.
- Finally, retired persons must keep an eagle eye on portfolio withdrawals. Although 4% a year has been the accepted standard safe withdrawal rate, it may be prudent to withdraw less in years of substantial market declines. What's more, remember that this year the Required Minimum Distributions (RMDs) from IRAs and employer-sponsored retirement plans, including qualified pension plans, qualified stock bonus plans, qualified profit-sharing plans, 401(k) plans, 457(b) plans, and 403(b) plans have been suspended to alleviate the pain of making withdrawals from accounts that likely posted losses.

According to Dickhloltz, the challenges of planning and investing in this volatile environment are exacerbated by the fact that there is so much money on the sidelines. The S&P 500 was worth \$7.2 trillion as of the end of January 2009. At the beginning of 2009, an estimated \$8.9 trillion of cash was invested in safety oriented investments (e.g., money market funds) and not in the US stock market. (source: Leeb Capital Management, Denver Post) "When those assets are pumped back into the market, the reaction could be swift and extreme. The most successful investors as the market eventually rebounds will be those who, having integrated their intellectual and emotional concerns, embraced volatility in the right way," says Dickhloltz. That is, while others look for a combination of the right policy decisions or tax structure to galvanize the stock market, Dickhloltz

encourages investors to look inward, to their own personal economy to determine what would make them feel more confident about investing.

About Lisa Dickholtz

Lisa Dickholtz has been a part of the financial services industry for 21 years. As President of Dickholtz Wealth Management in Northbrook, IL and a wealth advisor with Securities America Advisors, she specializes in aiding families, family stewards, widows and single women in the growth and preservation of personal and family wealth. Dickholtz takes a collaborative approach to addressing her client's needs by consulting with a team of professionals, including CPAs and attorneys, in order to assess and formulate customized plans for accomplishing personal financial objectives.

Dickholtz holds a Bachelors degree in Management and Finance from Purdue University. She is a CERTIFIED FINANCIAL PLANNER™ practitioner having earned the CFP® designation from the CFP Board of Standards. Throughout her career Dickholtz has made a commitment to educate others on simple but important steps that will help them to make financially sound decisions. She has conducted numerous financial planning workshops and has been featured in the Chicago Tribune. Learn more at www.dickholtzwm.com.

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