HOW TO DEFEND AGAINST A BEAR MARKET

HOW CAN YOU HELP PROTECT YOURSELF AGAINST MARKET LOSS DURING A BEAR MARKET? THE FIRST STEP IS TO KNOW YOUR CURRENT RISK.

KNOW YOUR RISK

Many investors say they want little to no risk in their investments. But, their portfolios say otherwise.

Your appropriate risk will change based on where you are on your financial journey. If you're a young investor, more risk may be appropriate so that more growth can happen. If you're nearing retirement, you'll want to take on less risk to help better protect against losses. No matter what, never take on more risk than you can afford to lose.

Your preference for risk is crucial to driving your investments. You should always be knowledgeable and feel comfortable with your current risk, allowing you to be on guard and prepared for the toughest kind of market: the bear market.

BEWARE THE BEAR

Bear markets are driven by the general attitude of investors. When the majority lose optimism in the stock market, they withdraw and stop spending as much. Like hibernating bears in winter, investors don't want to come out of their caves to invest or spend in a bear market.

You can usually tell a bear market is coming if the market loses 20% over a two-month period.[1]

One of the most dangerous times for a bear market to occur is toward the beginning of your retirement. If a bear market comes during the early stage of your retirement, the losses you experience may drastically impact your investments and withdrawal values for the rest of your life, with little to no time to recover. We call this sequence of returns risk.

That might seem unfair. After all, you can't determine when a bear market happens. But, you can plan and prepare for it.

How? One solution is a fixed index annuity (FIA).

FIAs

FIAs are tax-deferred insurance products that provide principal protection, meaning you can't lose the principal due to market losses.

FIAs also offer the potential for growth based on the performance of an external market index. This means when the external market index grows, you receive a portion of indexed interest credited to your contract value.

You might wisely think, "Well, if a bear market comes, wouldn't that mean my account goes down in value?" No, it does not. Any interest credits you earn are locked in and cannot be lost, even if the market goes down.

With these benefits, FIAs are a versatile and useful product to protect against the bear.

[1] *https://www.investopedia.com/terms/b/bearmarket.asp*

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