

Pullback? CORRECTION? CRASH?

by Chris Wayne

Well, it's happened. We have experienced a 3rd quarter market correction. What does that mean? What should we do?

First, let's review the terminology that defines three down market cycles.

1. A stock market “**pullback**” is when there's a decline in stock valuations between 5%-10%.
2. A stock market “**correction**” is when there's a decline in stock valuations between 10%-20%.
3. A stock market “**crash**” is when there's a decline in stock valuations of over 20%.

So, the 3rd quarter was indeed a correction. From the peak in May to the trough in August, the drop was north of 12%. This isn't necessarily a bad thing. According to the investment firm American Funds, on average, a decline of 10% or more occurs about once a year and a decline of 15% or more occurs about once every two years. Based on the definition, a market correction it will happen on an annual basis.

A HISTORY OF DECLINES (1900-2014)

Type of Decline	Average Frequency	Average Length	Last Occurrence	Previous Occurrence
-5% or more	About 3 times a year	46 days	December 2014	October 2014
-10% or more	About once a year	115 days	October 2011	July 2010
-15% or more	About once every 2 years	216 days	October 2011	March 2009
-20% or more	About once every 3 ½ years	338 days	March 2009	October 2002

Source: Capital Research and Management Co.

¹Assumes 50% recovery rate of lost value.

²Measures market high to market low.



If these declines happen so often, shouldn't we be used to them? The short answer is no. It's not easy to live with a market decline and probably more frustrating trying to pinpoint the answer to why it occurred. But we've learned valuable lessons from history and know the markets do bounce back.

Since we can't predict market corrections, when they occur and for how long they'll last, don't panic. This is exactly why investment objectives and the time horizon are so important. Market corrections shouldn't matter to long-term investors. The simplest call to action is to stay the course. If nothing has changed for your goals and

objectives, continue on down the path you're currently on. A simple call to us to discuss can help make sure you're still on that right path.

Therefore, if history repeats itself, which it seems to do, remember, we're likely to have another correction. When it does happen, sit back and relax because you know it's normal and expected.

Do you have a written financial plan?

IF NOT, IT'S TIME TO CONSIDER GETTING ONE.

by Kimberly Foster

It's time to answer that question for yourself and if you do not have a written financial plan, it's a good time to start. Written financial plans are important because they can help promote better investor behavior. How do they do that? You'll talk about your hopes and aspirations and begin to form a vision of where you realistically want to be at different mileposts over the years. You'll discuss your investment goals, whether these include a first home, a vacation home, college and, of course, retirement. And you'll determine where these goals fall along your own investment timeline. You'll also talk about different market scenarios and how you may react to the ups and downs that will inevitably occur over the years.

Financial planning is a process. The process for helping you achieve your financial goals starts with information gathering, then moving on to evaluation and analysis of current financial status, developing recommendations, communicating recommendations, implementing recommendations and monitoring recommendations. By integrating all the moving pieces of a financial plan such as retirement planning, taxes, cash flow, budgets, investments, college planning, and estate planning like wills and trusts a plan is developed.

We believe having a financial plan in writing can help investors remain grounded and rational during times of market stress. Knowing that the markets can move up or down — seemingly without reason at times — can help all of us look beyond any short-term turbulence and remain focused on our long-term goals.

(Sources: Russell Investments. "Helping Investors Consider This." September 2015. The American College Press. 4th Edition "Financial Planning: Process and Environment.")



Laraway Financial Advisors is excited to once again host a **WOMEN'S DAY LUNCHEON** event on Thursday, November 12th from 11:00 to 12:30 at the Courtyard by Marriot (formerly Le St. Germain) in downtown St Cloud.

This year's host is Roshini Rajkumar! Roshini is a well-known of WCCO Radio's *News & Views with Roshini Rajkumar*, a communication coach, conference speaker, and author of *Communicate That!*

She's the personal brand columnist for *Twin Cities Business* magazine and is frequently asked to contribute to media around the country about powerful communication and executive presence in a variety of industries. A few examples include commentary to radio, print, and TV outlets across the US about presidential candidates' PR strategy and media mishaps, the NFL scandals, and police versus community fallout.

Roshini is adjunct faculty at St. Catherine University where she teaches *Speaking to Lead & Influence*.

To RSVP for this event please call our office at 320-253-2490 or email kate@larawayfinancial.com by November 1, 2015. We look forward to seeing you there.





1219 33rd Street South
St. Cloud, MN 56301

Inside this Issue

- Winner, Winner Chicken Dinner*
- Pullback? Correction? Crash?*
- Do you have a written financial Plan?*
- Women's Day Luncheon!*



Phone
320.253.2490
800.758.8916

Fax
320.259.0557

Email
info@larawayfinancial.com

1219 33rd Street South
St. Cloud, MN 56301

www.larawayfinancial.com

INVESTMENT PERFORMANCE THROUGH SEPTEMBER 30, 2015

Category	3 Months	YTD	1 Year	5 Year
MORNINGSTAR				
Large Cap Value	-8.39%	-8.34%	-4.95%	10.75%
Large Cap Blend	-7.50%	-6.47%	-2.44%	11.72%
Large Cap Growth	-6.70%	-2.95%	1.35%	12.63%
Mid Cap Value	-9.16%	-7.66%	-3.26%	11.32%
Mid Cap Blend	-9.20%	-7.03%	-2.55%	11.21%
Mid Cap Growth	-9.48%	-4.17%	0.85%	11.73%
Small Cap Value	-10.32%	-8.77%	-3.01%	10.19%
Small Cap Blend	-10.90%	-7.75%	-1.12%	10.96%
Small Cap Growth	-11.95%	-5.16%	2.43%	12.14%
Foreign	-10.37%	-5.01%	-8.07%	3.29%
Govt. Bonds (Interm.)	0.93%	1.08%	2.40%	2.23%
Corp. Bonds (Interm.)	0.32%	0.30%	1.45%	3.17%

Return information is provided by Morningstar. Morningstar style box returns and indices are unmanaged, cannot be invested into directly and return figures do not include any fees or charges. Returns are shown for illustrative purposes only and are not representative of actual or past performance of any particular investment. The information contained in this quarterly update is derived from sources believed to be accurate. You should discuss any legal, tax, or financial matters with the appropriate professional. Neither the information presented nor any opinion expressed constitutes a solicitation for the purchase or sale of any security. Diversification and asset allocation strategies do not assure profit or protect against loss in a generally declining market.

Securities offered through Cambridge Investment Research, Inc., a Registered Broker/Dealer, Member FINRA/SIPC. Investment Advisory Services offered through Laraway Financial Advisors, Inc., a Registered Investment Advisor. Cambridge Investment Research, Inc., is not affiliated with Laraway Financial Advisors, Inc.