How long will the bull run?

Protecting your retirement assets from market downturns
2017 a banner year for stock markets

Several days after another record-setting holiday shopping season bolstered U.S. stock markets, the Dow Jones Industrial Average zipped across the 24,000 point threshold for the first time in history. This capped what has already been a milestone 12-month period for U.S. markets, in which the Dow reached new heights 80 times en route to a nearly 6,000 point gain, the Nasdaq has gained 30 percent, and the S&P too continues to sit near all-time highs.¹

During this tremendous year of the long-running bull market, the economy added $8.5 trillion in wealth, with much of this robust growth matriculating into U.S. households, helping millions to bolster their retirement accounts in the process.²

A bull market is typically defined by steady growth resulting in at least a 20% increase in a key market index, like the Dow Jones Industrial Average while bear markets are identified by a 20% drop over a minimum two-month period.

Consider, for instance, the incredible market growth experienced in the years that preceded the Great Depression. Throughout the 1920’s the Dow Jones Industrial Average grew 500 percent, nearly hitting 5,000. By May of 1932, the Dow bottomed out at just over 800 points.

These wild fluctuations can be worrisome, but the important takeaway here is that the stock markets are cyclical.

- From 1900 to 2013, bear markets have occurred, on average, every 3.5 years.⁴
- Bear markets are usually shorter than bull markets—15 months is the average duration of a bear market, while bull markets typically last 97 months.⁵

Bull and bear markets will come and go, but if you take a thoughtful approach to securing retirement income you have the potential to protect your savings through market cycles.

It's also helpful to get some broader historical perspective, too. While bull and bear markets come and go, if you look at the entire history of our stock markets, investors can plainly see a trend.⁶

Putting the 2017 bull market in context

The favorable economic conditions that have defined 2017 actually cap off what is now the second-longest bull market in history, which extends back to 2009.³ While investors should be satisfied with these gains, it is important not to lose sight of the bigger picture and leave yourself exposed if the market enters a period of market decline that follows a big upswing, known commonly as correction.

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⁴ http://fortune.com/2017/03/09/stock-market-bull-market-longest/
⁵ https://www.forbes.com/sites/robertlenzner/2015/01/02/bull-markets-last-five-times-longer-than-bear-markets/#5a888522dd53
⁶ http://www.macrotrends.net/1319/dow-jones-100-year-historical-chart
This approach is particularly relevant for those individuals who are nearing or entering retirement now. Without thoughtful planning, a correction or bear market could erase years of steady gains right when you’re about to need it most. Worse, individuals in retirement have both less time and fewer employment options with which to start recouping losses. That’s why it’s important to find investment vehicles that will continue to offer upside potential while providing downside market protection.

Preparing for market downturns with fixed index annuities

One such vehicle that may help mitigate stock market volatility is an annuity. An annuity is a life insurance contract in which you make premium payments in exchange for guaranteed income in retirement. For those looking for a balance between capitalizing on the impact of the current bull market and bolstering their savings against a possible downturn, fixed index annuities offer significant opportunity. FIAs offer interest crediting linked to positive movement of an equity index, such as the S&P 500, up to a stated cap or spread. So you retain the ability to benefit in the event of a continued bull market run. But should the markets enter a period of correction, index-linked annuities have market downside protection with a zero percent floor, even if the index itself is negative, so you will not experience market-based performance losses.

With an FIA:

- Accrued values are locked in after every crediting period.
- You can avoid performance-based losses while retaining the potential for your money to grow.

There are no ongoing fees deducted on the base product (note that optional benefits may incur a charge.

Discussing annuities with your financial advisor

Every investor has different needs and wants, and finds themselves at a different part of the path that is retirement planning. There is no one-size-fits-all solution when it comes to selecting a financial vehicle that helps you meet the needs of you and your family. To find the right fit, you’ll need to go you’re your conversation with your advisor with several factors in mind:

- The closer you are to retirement, the less time you have to recover from any market losses.
- If you’re taking withdrawals, you need greater investment returns to recover from your losses.
- When you experience losses your account matters, especially when taking withdrawals.

But if you’re looking to continue to capitalize on the impact of the current bull market while protecting your wealth against potentially less favorable conditions down the road, fixed index annuities come pretty close.

But when considering financial vehicles to help protect your retirement income, it is crucial to consult with your financial advisor before making a decision. Your advisor is uniquely qualified to help you make the determination if a fixed index annuity is the right investment for you. With years of experience and an understanding of your personal needs, your advisor will work with you to realize your retirement goals. An open and honest discussion between you and your advisor will enable you to collaboratively find the right investment strategies to help maximize your wealth, maintain your lifestyle and help ensure long-term stability and security for your family.
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