Market declines are common

The following chart displays the S&P 500's annual return vs. the largest intra-year decline since 1980. Over this period, the S&P 500 has generated a total annualized return of +12.0%. Annual returns ranged from -37.0% to +35.5%. A $1,000 investment in 1980 would be worth over nearly $103,000 today.

Despite strong returns since 1980, this time set includes some of the most volatile periods in history, including the 1987 Crash, Tech Bubble, and Global Financial Crisis. There were plenty of market drops along the way as the average intra-year price decline was -14%. This simply means that at some point each year the S&P 500 dropped by an average of -14%. The data makes sense as since 1950 the stock market has averaged at least one correction each year. This reinforces our long-term investment philosophy – since we plan for stock market volatility and we incorporate these assumptions into our financial plans, we are less likely to overreact when it happens.