

**In This Issue:**

**PAGE ONE:**

Planner Article  
Quarter Commentary

**PAGE FOUR:**

DFA Year-In-Review  
Information

Schwab 1099s

### Planner Article: Quarter Commentary

Jeff Karst, CFP®

This past quarter we saw a significant drop in markets overall. Large US stocks were down 13.52% for the quarter. Large International stocks were down 12.50% for the quarter.

What does this drop mean for the future?

Unfortunately, my crystal ball is broken. I had one many years ago but David dropped it and no amount of super glue can put it back together. We can, however, look to the past to remind us of how markets behave.

Since 1973, large US stocks have had 13 quarters greater than a 10% drop. The largest drop happened in the 3<sup>rd</sup> quarter of 1974 - it was just over 25%.

What happened in the subsequent 12 months of each of those 13 bad quarters? It was mostly positive with only one negative - see table below for the details.

How about the subsequent 5 years? It was positive every time. In fact, in 11 of those 13 5-year periods, large US stocks compounded at more than 10% per year.

Quarter	% Drop	Subsequent 12 months	Subsequent 60 months (annualized)
3 <sup>rd</sup> 1974	-25.16	38.13	16.81
3 <sup>rd</sup> 1975	-10.95	30.47	13.78
3 <sup>rd</sup> 1981	-10.22	9.97	20.23
4 <sup>th</sup> 1987	-22.63	16.81	15.88
3 <sup>rd</sup> 1990	-13.74	31.16	17.23
1 <sup>st</sup> 2001	-11.86	0.24	3.97
3 <sup>rd</sup> 2001	-14.68	-20.49	6.97
2 <sup>nd</sup> 2002	-13.40	0.26	10.71
3 <sup>rd</sup> 2002	-17.28	24.40	15.45
4 <sup>th</sup> 2008	-21.94	26.46	17.94
1 <sup>st</sup> 2009	-11.01	49.77	21.16
2 <sup>nd</sup> 2010	-11.43	30.69	17.34
3 <sup>rd</sup> 2011	-13.87	30.20	16.37
	Average	20.62	14.91

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Does this mean we can say with certainty that stocks will only go up from here? Of course not. We will never attempt to predict markets or offer guarantees. Chances are really high that stocks will be higher in 5 years than they are today. For the patient, disciplined investor, that's reason enough to sit tight.

*Disclosures: Large US stocks are represented by the S&P 500 index. Large International stocks are represented by the MSCI EAFE index. All return information includes reinvested dividends but does not include fees and expenses. Investment in an actual index is not possible.*

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## Year-In-Review

*The Year-In-Review published by DFA (Dimensional Fund Advisors) each year (typically included in this newsletter) will be posted to our blog [www.pathwaysadvisorygroup.blogspot.com](http://www.pathwaysadvisorygroup.blogspot.com) instead, as soon as it becomes available.*

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## Important Notice Regarding Schwab 1099s

**IMPORTANT NOTICE:** Tax time is upon us. In addition to traditional dividend and interest reporting, all cost basis information will be reported on your Schwab 1099 for 2018. All Schwab 1099s will be mailed by February 28, 2019. As always, corrected 1099s can occur, if the information reported requires an adjustment. Hopefully, these corrected 1099s will be limited.

Please share this information with your accountant and feel free to call with questions.

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### Client Adventures!

If you would like to be featured in our Client Adventure section, please let us know. We love to share stories of travels, experiences, and hobbies.

