



SOUND INCOME STRATEGIES, LLC

The secret to a great retirement is our middle name

Facing Volatility

The Day After the Largest Single-Day Point
Decline in Stock Market History

- **Surprising facts about stock market investing**
- **Is the next big market correction around the corner?**
- **Methods to reduce, and even eliminate, your exposure to stock market risk**

Facing Volatility

The Day After the Largest Single-Day Point Decline in Stock Market History

By David J. Scranton, CLU, ChFC, CFP®, CFA, MSFS

It was one of the scariest days Wall Street has ever seen. On February 5, 2018, the Dow Jones Industrial Average dropped nearly 1,200 points—the largest single-day point decline in stock market history.

And, it could've been worse. The Dow had fallen about 1,600 points before buyers charged back in to help erase some of the losses before the market closed.

The damage wasn't limited to domestic markets either. The incredible drop in U.S. equities caused a ripple effect that would impact markets around the world. The sell-off wiped out many investors' gains for the year, along with the retirement dreams of many who are close to retirement age.

This whole situation reminded me of when I watched the dot-com implosion tear apart the markets in 2000 and again when I saw so many people's fortunes decimated during the 2007–2009 stock market collapse.

In 1999, while most Wall Street cheerleaders seemed to believe that the sky was the limit, I believed something completely different. My knowledge of stock market history led me to believe that a big market correction was right around the corner. I knew from my interpretation of basic historical trends that the market was going to take a turn for the worst. The trends also told me there would be a series of dips that would last 15–20 years before the market improved again.

By understanding the history and trends, it enabled me to foresee the coming 2000 stock market collapse and the onset of a new 20-plus-year secular bear market cycle. Sure enough, the first big drop occurred from 2000–2003. Fortunately, I was able to warn many of my clients of what I felt was coming and managed to help them avoid damaging losses to their retirement savings.

It was at this time that I decided to change my business model and build my practice around defensive, income-based financial strategies designed to help protect clients from dramatic stock market fluctuations and economic uncertainties.

When the market recovered from 2003 to 2007, some in the industry just buried their heads in the sand and pretended like the market correction hadn't happened. But, I could not ignore what had happened. In 2007, I founded Advisors' Academy with a vision to recruit other highly successful and motivated advisors and teach them how to always keep the interests of their clients first. Through ongoing personal coaching and training in a variety of innovative, market-proven systems and turn-key tools, hundreds of elite advisors from across the country now share in my vision.

Then came the second "dip" from 2007–2009, and the market recovery of 2009–2011 seemed to give many stockbrokers and financial advisors license to pretend that these recurring "dips" were not part of a very predictable and repeatable cycle. Many of them continued with "business as usual."

But, I could not in good conscience continue with business as usual. I felt more motivated than ever to expand my reach and share my insights with as many people as possible.

In 2011, I self-published my first book, *Financial Insanity: How to Keep Wall Street's Cancer from Spreading to Your Portfolio*. I wrote this book with the goal of helping investors avoid many of the common mistakes they make, as well as those many advisors make with their clients' assets. The book reveals things many Wall Street executives and financial advisors are unwilling, or unable, to talk about regarding these recurring financial cycles.

Until the disruptive and volatile markets that accelerated in 2014, we had kept many of our proprietary ways of trading fixed-income securities secret. Prior to 2014, fixed-income markets had provided ample returns for those with assets in this sector. But, as Janet Yellen announced the Federal Reserve's intent to end quantitative easing and start to raise interest rates, it was clear that this period of "easy pickings" for fixed-income investors was coming to an end.

Investors without the proper background would need to look to active managers who specialized in income investments to unearth the best opportunities. It was at this time that I decided to share our methods with those in The Income Generation—those born in 1966 or earlier.

In 2015, I founded Sound Income Strategies, LLC. Sound Income Strategies (SIS) is made up of experienced investment management specialists who actively manage their clients' portfolios with the goal of maximizing income first and opportunities for growth second.

In 2016, I started my own TV show, [*The Income Generation*](#) which airs on Newsmax TV every Sunday at 10:00 AM. Broadcast to more than 50 million households every week, [*The Income Generation*](#) tackles the challenges and concerns unique to hardworking Americans within 15 years of retirement who need to know how best to protect their money and generate income in today's economic climate.

With guests that include some of today's most respected economists and analysts, my show cuts through the media hype, debunks popular myths, and exposes the financial planning secrets Wall Street doesn't want you to know.

And on February 5, 2018, I was so happy that I had followed my vision to change my business model and found Sound Income Strategies. That's because, for many SIS clients who were invested primarily in fixed-income securities, February 5 was just another day. Another day they didn't have to worry about how the stock market performed. Another day they knew their portfolios were protected, generating reliable streams of income they could count on well into retirement.

By owning predominantly income-generating securities, SIS clients know, with greater certainty, what their financial future holds.

While Sound Income Strategies uses a full scope of savings and investment options to deliver dependable results for our clients, our primary focus is on income-oriented, defensive-based strategies. This approach is designed to provide clients with reliable results that are in line with their investment goals.

The Game Has Changed Significantly When It Comes to Retirement Planning

Although Sound Income Strategies works with a broad range of clients, we specialize in working with those who are retired or near retirement. Increasingly, that means we work with Americans in the Baby Boomer demographic who understand that the game has changed significantly when it comes to planning for retirement.

For most Baby Boomers, traditional, employer-based pensions no longer exist, and in the wake of two major stock market drops since the year 2000, many have learned the hard way that the mutual funds in their retirement accounts are vulnerable.

Baby Boomers understand that the onus is on them, more than ever before, to prepare financially for retirement and protect their assets. With that in mind, we put a strong emphasis on active portfolio management and client education, working with all our clients to ensure they have the best possible investment strategy in place to meet their particular goals.

We make sure our clients understand their investment options, the importance of financial defense, the alarming facts about stock market history, and how changing interest rates can impact certain investments adversely.

Surprising Facts of Stock Market Investing

Believe it or not, since the turn of the century, fixed-income investors have achieved an average return that is very similar, if not slightly better, to that of buy-and-hold stock market investors, who have averaged roughly 4.75 percent, with dividends factored in and accounting for inflation, through the end of 2017.¹

By comparison, many income-based investors whose portfolios have been properly managed have achieved close to 5 percent income and greater than a 5 percent total return.² Plus, they've done it with far less risk of a major loss during the two major market corrections that occurred between 2000–2002 and 2007–2009.

In a way, fixed-income investors have been able to put their portfolios on “cruise control” and not worry if the next big market correction is right around the corner.

The bottom line is that right now is a good time for anyone close to retirement to reduce, and even eliminate, their exposure to stock market risk. The markets have had a good run lately, and although they could still climb slightly higher, there is also a good chance we could see an overdue third major market correction in the near future.

Is the Next Big Market “Correction” Right Around the Corner?

As I'm writing this, on June 26, 2018, a series of market dips that have occurred over the past few months have essentially wiped out any gains that stock market investors have experienced in 2018. And, the headlines on financial news sites forewarn that things might get worse before they get better. In a recent interview on CNBC, billionaire investor Jim Mellon warned that the recent sell-off in U.S. stocks could be the start of a “very major correction.”³ Now, I don't bring this up to scare you. I bring it up because it is a possibility. Could the next major market correction be right around the corner?

The image shows the top portion of the CNBC website. At the top left is the CNBC logo. To its right is a search bar with the text "Search Quotes, News & Video" and a magnifying glass icon. Below the search bar is a navigation menu with links for "HOME U.S.", "NEWS", "MARKETS", "INVESTING", "TECH", "MAKE IT", "VIDEO", "SHOWS", and "MORE". On the far right of the navigation menu are "SUBSCRIBE" and "PRO" buttons. Below the navigation menu is a green banner for Ameritrade with the text "WE'RE HERE TO HELP." and "GET UP TO \$600 WHEN YOU ROLL OVER YOUR OLD 401k." with a "START" button.

US MARKETS

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Billionaire investor Jim Mellon: Sharp sell-off in US stocks is the start of a 'very major correction'

- A market correction is inevitable even without trade war fears, billionaire investor Jim Mellon told CNBC's "Worldwide Exchange" on Tuesday.
- Mellon is not alone in suggesting that today's stock market is the most overvalued on record — more so than in 1929, 2000 and 2007.
- Tuesday looks set to be a rough day for stocks, with the Dow Jones and S&P 500 indexes at risk of losing the majority of their June gains at the open.

Natasha Turak | @NatashaTurak
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Now, I don't bring this up to scare you. I bring it up because it is a possibility. Could the next major market correction be right around the corner?

If you are just starting out in your career, you might be able to ride out such a loss and be alright once you are ready to retire. However, if you are in or near retirement age, you don't have the same luxury.

Some of you might be thinking, what if you're wrong and the market recovers and has a great year or two? That is possible, but for those of you close to retirement, are you willing to gamble your retirement savings on it?

If Stocks Are Too Risky for the Portfolios of Many Cities and States, Why Is Your Advisor Still Recommending Them for You?

Investing in stocks is considered too risky for the portfolios of many cities, states, and countries—so risky that it's expressly prohibited in most cases. Instead, municipalities have a list of acceptable investments. The list varies from state to state, but it is similar to the institutional list guiding banks, insurance companies, and much of corporate America.

Why Not Avoid the Perils of the Stock Market Altogether?

If you are over the age of 50, Sound Income Strategies wants you to focus on what's best for you, especially considering the likelihood of an upcoming collapse in stock prices that my history-based research suggests. My recent book, *Return on Principle: 7 Core Values to Help Protect Your Money in Good Times and Bad*, explains why the Fed's past policies of keeping interest rates low only increase the risk of an upcoming market collapse.

However, we believe that individual investors who put their money to work with the same purpose-based methods used by institutional investors could significantly reduce and even eliminate the need to invest in the stock market during retirement. This is good because the next bear market could leave the portfolios of those still investing in stocks in tatters.

If you are not willing to own a stock for 10 years, do not even think about owning it for 10 minutes.

— *Warren Buffett, CEO of Berkshire Hathaway*

Large Financial Institutions Stack the Odds in Their Favor and Now You Can Too

Large financial institutions develop investment policies that meet their purposes. They hire internal portfolio managers and research analysts with top-tier experience and education and provide them with state-of-the-art analytical tools, access to markets, and research capabilities.

After they stack the odds in their favor, they have another little-known method that almost assures certainty of outcome. It's not difficult to implement this proven method; you just need to know about it.

Big banks, insurance companies, and corporate America use this method and have no reason to talk about it. In fact, these are among the brightest minds in money management. They don't invest client money; they invest the money of huge financial entities.

Start Using the Same Methods that Institutional Investors Use to Ensure a Steady Stream of Income

Most of our clients report an immediate sense of comfort when they visit the Sound Income Strategies office. Unlike other Registered Investment Advisors, we're not looking to impress our clients with custom-made suits, mahogany walls, or gaudy statues of bronze bulls on our desks.

We prefer to impress our clients by offering the somewhat predictable outcomes that large financial institutions enjoy. That's why we've invested heavily in technology that provides the kind of service and results known mostly at firms worth billions. We've invested in state-of-the-art software and computer programs that scour the databases of hundreds of firms, filtering for well-suited investments at institutional pricing levels.

Our team includes portfolio managers who hold the highly esteemed Chartered Financial Analyst designation. They're armed with cutting-edge analytical tools, access to markets, and research capabilities.

Our confidence comes from knowing that what we're doing is right for The Income Generation and others we serve. We're staffed with fixed-income and portfolio specialists who have succeeded at top-tier firms. The goal is to provide you with a portfolio that is best suited to your individual needs.

Right Now Is a Critical Time for Building and Preserving Your Nest Egg

If you were born before 1966, you've lived through the greatest stock market in history as well as some of the biggest declines the market has seen. You've also learned that good times don't always last.

Sound Income Strategies' office in Fort Lauderdale is located a few miles from the Atlantic Ocean. Our office sits on the top floor of an unassuming building with a view of the blue waters of the Atlantic off in the distance.

Port Everglades, one of the world's most active shipping and cruising seaports, opens out to the Atlantic just a few

miles south of us. On clear days, large ships are visible on the horizon as they line up and wait to enter the port.

It's interesting that the captains of these large ships have been able to safely navigate their ships through thousands of miles of sometimes treacherous waters, only to hand over control of their ships to a Harbor Pilot for those last few critical miles into the harbor.

The Harbor Pilot is a boat captain who is an expert in the specific harbor they work from. It's their job to gain experience and know the specific dangers of their home port.

Because the last few miles are filled with dangers that are virtually invisible to the untrained eye, the ship's captain brings the harbor pilot on board and hands over control of the ship to this specialist. Bringing a harbor pilot aboard who is familiar with the hidden dangers that lie ahead allows each ship to reach the harbor safely with their valuable cargo intact.

It's similar for anyone who is in or near retirement. So far, you've managed to safely navigate your portfolio through decades of uncertain markets. Now, with so much on the line, it's time to bring an expert aboard who is very familiar with the risks that lie ahead.

Financial Advisors Who Don't Specialize in The Income Generation May Not Have the Skills to Ensure Safe Passage into Retirement

Although Sound Income Strategies works with a wide range of clients, our advisors specialize in helping those who are part of The Income Generation, those born in 1966 or earlier. We have top-tier income specialists who are experienced at investing with methods that maximize income and growth while minimizing exposure to stock market risk.

If you are in retirement or within 10 to 15 years of retirement, visit soundincomestrategies.com to find a local income specialist registered with Sound Income Strategies who can help reduce your exposure to stock market risk and help you generate reliable streams of income you can count on well into retirement.

Sound Income Strategies, LLC

The secret to a great retirement is our middle name.

1. Annualized growth rate of the S&P 500 January 1, 2000, through December 30, 2017, http://moneychimp.com/features/market_cagr.htm
2. "2017 Ranking & Reviews: Top Ranking Best Fixed Income Investments", *Advisory HQ*, <https://www.advisoryhq.com/articles/best-fixed-income-investments/>
3. Natasha Turak, "Billionaire investor Jim Mellon: Sharp sell-off in US stocks is the start of a 'very major correction'", *CNBC.com*, last modified on June 19, 2018, <https://www.cnbc.com/2018/06/19/jim-mellon-market-sell-off-in-us-stocks-start-of-major-correction.html>

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