



The DJIA Hit 30,000 for the First Time in History

Should retirees worry that a stock market correction is imminent?

After a long stretch of uncertainty throughout 2020, many retirees are smartly worrying that the stock market could be headed for trouble. This year has brought retirees the end of the longest-bull market in history, two market corrections, an official bear market and as of November, what looks like maybe the beginnings of another bull market.

And while we can healthily debate whether a bull market has begun or not, the signs are there, especially with the DJIA reaching heights never seen before.

Want proof that maybe the bull replaced the bear? Well, as stock market investors gathered around the virtual Wall Street table to share what they're thankful for over

Thanksgiving, they gave thanks for the following performance in the month of November (as of the Friday after Thanksgiving):

- the DJIA crossing 30,000 points for the first time in its history on its way to possibly its best monthly gains in over 30 years;
- The S&P 500, DJIA, and NASDAQ being up double-digits; and
- The small-cap Russell 2000 being up 20%.

Should retirees worry that we're due for a correction? Yes. Maybe. It depends.

Stock Market Corrections

Stock market corrections are defined as a loss between 10% and 20% from a peak and they occur about every two years, on average. We have had two so far in 2020, so maybe we're not due.

But, according to the Wall Street Journal, the current P/E ratio of the DJIA is about 30x corporate earnings, which is way above the P/E ratio from one year ago and the historical market average of about 19x.

In other words, the market appears over-valued and expensive relative to this time last year and historical averages. That, by definition, carries a high degree of risk.

There are Triggers Everywhere

When a market is ready to correct, it will seize on a trigger – and this market has plenty to choose from.

Worries include the lingering effects of COVID, an exploding national debt, a divided government, a divided nation, social unrest, high unemployment numbers, and an exceptionally frothy housing market.

Five Tips for Retirees

Whatever the cause, any market drop is particularly worrisome for retirees, who have less time to make up for losses.

Here are five tips to help you survive any market turmoil while in retirement:

- Don't Panic Sell
- Remember to Rebalance
- Remember to Diversify
- Have a Cash Bucket
- Talk to Your Financial Advisor

While each of the five tips are important, pay particular attention to the last one.