



THE BAM ALLIANCE®

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Skyfalling

Jim Whiddon

In 1664, Europe watched a comet streak across the heavens. To the peasant farmers and nobles alike, this was not a pleasant sight to behold. In this period of superstition, comets were portentous intruders, and they had been feared for thousands of years.

Comets could haunt the skies for several weeks before they disappeared. No one knew why they left or where they went. Night after night, all would look upward to see if the unwanted guest had appeared again. The longer the comet appeared, the gloomier the public mood grew. To some extent, one can understand their trepidation.

As scientific inquiry progressed in the world of astronomy, many, including perhaps the most famous comet researcher of all — Edmond Halley — used the noted work done in physics by Isaac Newton and others to successfully prove that a comet's appearance in 1531, 1607 and 1682 would also return in 1758. Halley died in 1742, so he didn't live to see the return of the fireball posthumously named in his honor. But as far as ending life on our planet, since their first sighting in 239 BC, Halley's comets have come no closer than about 14 million miles from Earth. Halley showed that comets were a natural and universal phenomenon for which to be observed and marveled, not feared.

Centuries later, many investors fear that the "stars are aligning" to bring about the next crisis in financial markets. But dreading and worrying about the next financial crisis is somewhat like being afraid of Halley's Comet. We shouldn't worry about what we cannot control, even when we hear the financial media using ominous terms such as crisis, meltdown or bear market.

Although there is not one strict definition of a bear market, one common definition is a decline of 20 percent or more over at least a two-month period. Using this definition, there have been 15 bear markets since 1926. With each episode of a downturn in stock prices that qualifies as a bear market, many investors look to the future with a furrow on their brows. From a distance, one could even view the ups and downs of the market like an imaginary comet trail shooting across the sky.

Three and a half centuries ago, Europe was a place of incredible discoveries, such as gravity, calculus, and the microscope to name a few. By comparison, the times we live in are bringing new technology and opportunities our way at light speed. Likewise, for most of the 20th century, investors did not have nearly the same amount of research and market history that are available to us today. Even though our emotions might sometimes get the better of us, we now have abundant research in the field of investing regarding efficient markets that equips us to understand and deal with market downturns. And while securities don't function in quite the same clockwork manner as celestial bodies, comets and markets share a cyclical nature in common.

Halley will be back in 2061. Have your camera ready.

About Jim Whiddon, Wealth Advisor and national thought leader for the BAM ALLIANCE

James N. Whiddon, CFP®, MSFS is a wealth advisor and national thought leader for the BAM ALLIANCE.

Previously, James founded and served as CEO for JWA Financial Group, Inc. in Dallas. He is a financial writer and speaker. He is the author of *Wealth Without Worry* and *The Investing Revolutionaries* and has been the host of “The Investing Revolution,” an investment radio talk show on CNN 1190 in Dallas.

James is a CERTIFIED FINANCIAL PLANNERTM professional. He holds a bachelor’s degree from Texas A&M University in College Station and a master’s degree in financial planning from The American College of Financial Services in Philadelphia.

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