

## Market Drops Put Money in a Hole

*Ever dig a hole ... refill it ... and come up short? Making up losses can feel like that*

### The Deeper, the Steeper: Greater Gains Required to Restore Losses

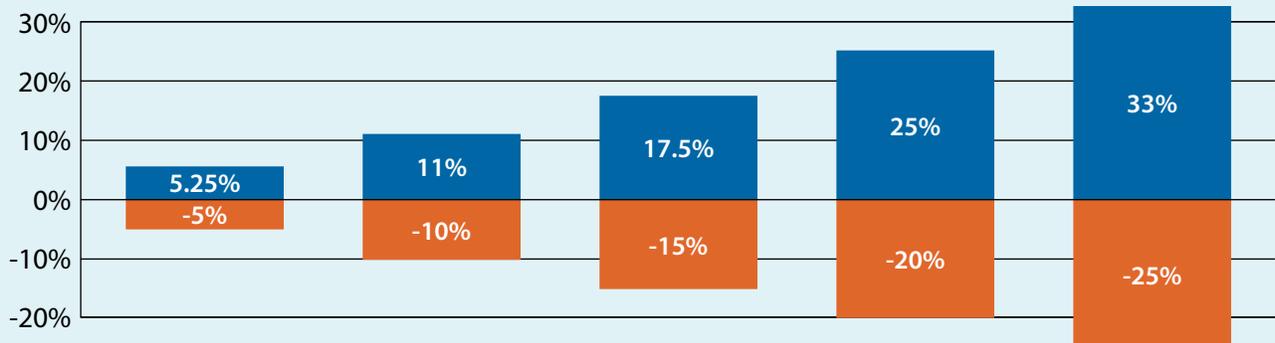
Consider the math. Start with \$100 and lose 10%. That leaves \$90. Then the market rebounds and gains 10%. But that 10% is regained on \$90. So the money grows back only to \$99. That's \$1 short of where it began.

When a loss occurs, a **higher gain** than the loss is needed just to break even ... because of restarting from a lower point. The chart at right shows how a 10% decline followed by a 10% rebound fails to restore full value.



### Compare: After a Loss, More must be Gained Back to Break Even

Negatives (orange) are losses incurred. Positives (blue) are corresponding gains needed to break even. (Illustrated experience assumptions are for example only; actual experience will vary.)



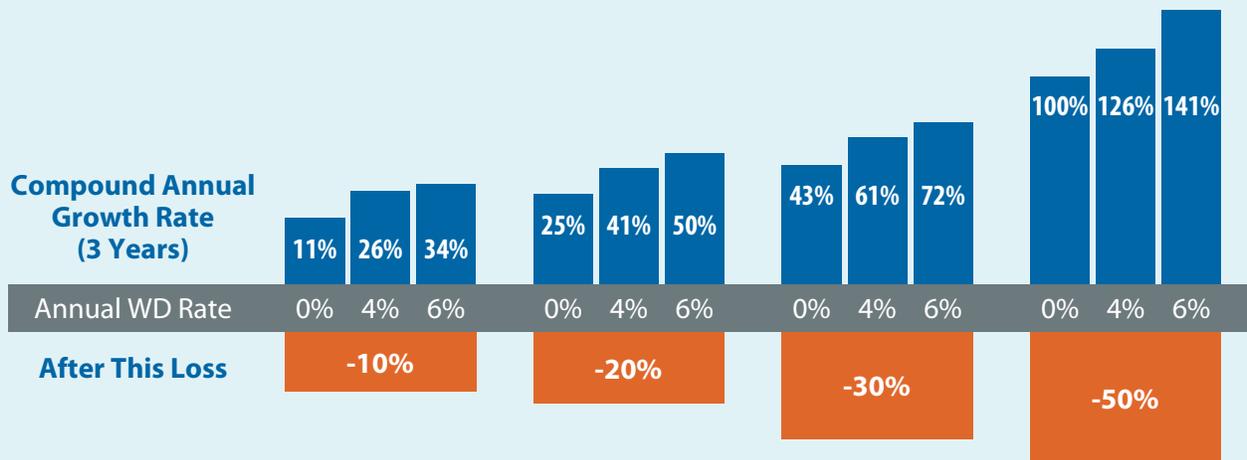
**Takeaway:** The bigger the loss, the bigger the gain needed to get back to even.

## More Digging Is More Daunting

“When you find yourself in a hole, stop digging.” So says an adage dubbed the “first rule of holes.” It makes sense. When trying to recover from a decline in value, continued digging – in the form of taking withdrawals at the same time – only makes the math more daunting.

### Compare: Getting Back to Even *While Taking Distributions After a Loss*

Corresponding gains needed over three years at various withdrawal rates to get back to even after various declines. (Illustrated experience assumptions are for example only; actual experience will vary.)



**Takeaway:** Market declines are inevitable. Recovering from them, while taking withdrawals at the same time, makes the climb even more challenging.

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