



**Neal
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The 401(k) Solution

How to best advise your clients.

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by Neal Frankle, CFP

You've no doubt been getting numerous phone calls over the last 45 days.

"What should I do with my investments?"

"Should I sell now?"

"Should I buy more?"

"Should I pull the money out of my 401(k) before I lose it all?"

I know you are getting these questions because I'm getting them as well. October was one of the worst months ever for the stock market — and that goes for markets worldwide. Investors sold everything that wasn't bolted to the ground. Stocks, commodities, currencies and bonds all got clobbered. Worldwide panic sliced and diced trillions in value from investors. Even though the last week in October was the single best week for the U.S. in more than 34 years, more money was lost in October than any other time ever.

You and your clients know how bad it has been. You don't need me to rub it in.

Your clients also know the best thing to do (don't panic), but they may forget.

Historically, panicked investors bail out near market bottoms. Maybe you or some of your clients moved to cash recently. It may feel great — especially when the market swoons another 1,000 points in two days — but it may not be good for the wallet.

Market recoveries often burst out unexpectedly. In fact, the average market return in the six months following a market bottom has been 31 percent.

How long will it take our market to recover? Of course nobody knows. Let me repeat that.

Nobody knows. The pinheads on T.V. who tell us it will be 10 years don't know any better than the pinheads who tell us it will be three years. But the average time it took to recover from prior bear markets since 1929 has been 2.91 years. That's relatively short. And the reason for this is because historically, the market has experienced particularly strong returns in the first six months to a year following the bottom.

What has any of this got to do with your clients' 401(k)s? Everything. Retirement assets are your client's longest-term assets. Even if your client will retire next month, they'll likely use that money to provide income for 20 or more years.

The worst thing your clients can do is pull the money out of their 401(k) accounts. That would expose them to needless taxes, penalties and of course almost guarantee that they'll be unable to take advantage of the recovery, when it comes. Your clients should continue making contributions to their retirement accounts to take advantage of current low prices. As a trusted advisor, you should remind your clients what their long-term goals are and to view today's events from the proper perspective.

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Neal Frankle, CFP, is the author of *Why Smart People Lose a Fortune: 5 Steps to Restoring Your Wealth and Sanity*. He helps affluent clients establish and implement a safety-net strategy to protect their wealth. He also helps other professionals, such as CPAs, do the same for their clients. If you would like a free monthly e-newsletter (written especially for CPAs to use with their clients so they make better investments) please [e-mail](#) Neal.

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