Financial planner

PARK PLACE WEALTH ADVISORS, INC.

DANIEL J GANNETT

· 18 ORINDA WAY ORINDA, CA 94563 ·

DAN@PARKPLACEWEALTH.COM

· ORINDA – (925) 254-7766 ·

· SUNNYVALE – (408) 733-0245 ·

· FAX: (925) 258-0591 ·

Spring 2025 Newsletter Topics

- *Buffett Urges Investors To Keep Emotions In Check*
- *5 Charts that put market Volatility in perspective*

FINANCE FACT:
Throughout history, the stock market has shown remarkable resilience, bouncing back from major downturns such as the 2008 financial crisis and the COVID-19 crash in 2020. These recoveries reflect long-term economic growth, innovation, and effective policy responses that support investor confidence and corporate recovery. John Jennings, February 28, 2025, in *Forbes*.

BUFFETT URGES INVESTORS TO KEEP EMOTIONS IN CHECK – A TIMELY REMINDER FOR LONG-TERM SUCCESS

This past week, I listened to Warren Buffett speak at his annual shareholders meeting—an event full of wisdom, perspective, and practical advice for investors of all ages. His message was clear: emotions and investing rarely mix well. In light of the recent volatility on Wall Street, his words carry even more weight.
“People have emotions,” Buffett said. “But you’ve got to check them at the door when you invest.”

It’s a simple truth—but one that’s easy to forget when markets are bouncing up and down, headlines are dramatic, and account balances fluctuate by the hour. For many, it’s tempting to react to “do something,” especially when fear creeps in. But reacting emotionally often leads to costly mistakes. Buffett also addressed a question from a young man about dealing with life’s setbacks. His response was poignant:

“I would focus on the things that have been good in your life rather than the bad things that happen, because bad things do happen. It can often be a wonderful life even with some bad breaks.”

That perspective—seeing the bigger picture and focusing on what we can control—is at the heart of successful long-term investing. Markets will have down months, bad quarters, and even scary years. But history has shown that staying invested, staying diversified, and staying calm are the most powerful tools in your financial toolkit.
As your financial planner, my job isn’t just to help you pick investments—it’s to help you stay invested. That means staying true to your goals, your strategy, and your time horizon, especially when the markets test your resolve.
Here are a few reminders worth keeping in mind:

• Volatility is normal. Market declines are part of the journey. Historically, they’ve been temporary—but the growth of disciplined investors has been permanent.
• Timing the market is nearly impossible. Even the best investors don’t consistently predict tops and bottoms. Missing just a few of the best days can have a lasting impact on long-term returns.

• Your plan is built for this. We've designed your portfolio with your unique goals, risk tolerance, and time horizon in mind. It's meant to weather storms.

• Reviewing your goals—not your balance—is more productive. Checking your account too often can lead to knee-jerk reactions. Instead, focus on why you're investing and what you're working toward.

Warren Buffett built his legacy on patience, discipline, and long-term thinking—principles that are just as relevant for you. So, the next time markets wobble, headlines rattle, or your emotions start to rise, remember stay calm, stay focused, and stay invested.

If you have questions or would like to revisit your plan, please don't hesitate to reach out. I'm here to help you stay on track—no matter what the markets are doing.

5 CHARTS THAT PUT MARKET VOLATILITY IN PERSPECTIVE

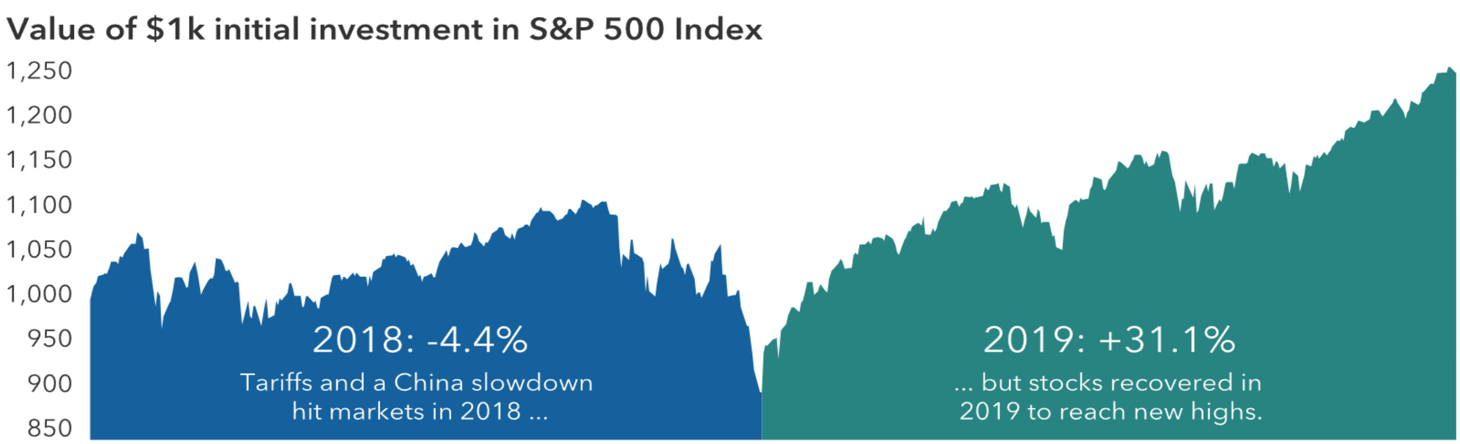
President Trump's tariffs have put market volatility back in the spotlight. After tariffs on nearly all trading partners were announced on April 2, the S&P 500 Index briefly descended into bear market territory — a rare sign of extreme economic pessimism when stocks fall by 20% or more from their peak. A 90-day pause on reciprocal tariffs declared on April 9 caused the index to skyrocket 9.5%, only to fall 3.5% the following day. The damage spilled over to the U.S. Treasury market, which may explain why Trump paused some tariffs. The yield on the 10-year Treasury, a cornerstone of the global financial system, widened to 4.34% from 4.01% a few days prior — an indication of market turbulence. Given the uncertain environment, investors may have doubts about their investment approach. It's natural to seek calmer shores when markets are choppy. But it's equally important to step back, gain perspective and look toward the horizon. History shows the stock market has always recovered from previous declines, though there's no guarantee downturns will lead to rebounds.

Here are five insights that can help you regain confidence and stay invested for the long haul.

1. When in doubt, zoom out

If you go back to 2018, the first Trump administration's tariffs on China sparked a trade war that panicked markets and dominated the news, much like today. What's more, two U.S. government shutdowns, challenging Brexit negotiations and a contentious midterm election further stoked market pessimism. How did stocks react? Fears that a trade war between the two largest economies would lead to a global slowdown sent the S&P 500 Index down 4.4% in 2018, falling as much as 19.4% from September 20 to December 24 that year. But the index recovered sharply in 2019, up 31.1%, as trade deals were announced and consumer spending steadied

Markets recovered from trade uncertainty during Trump 1.0

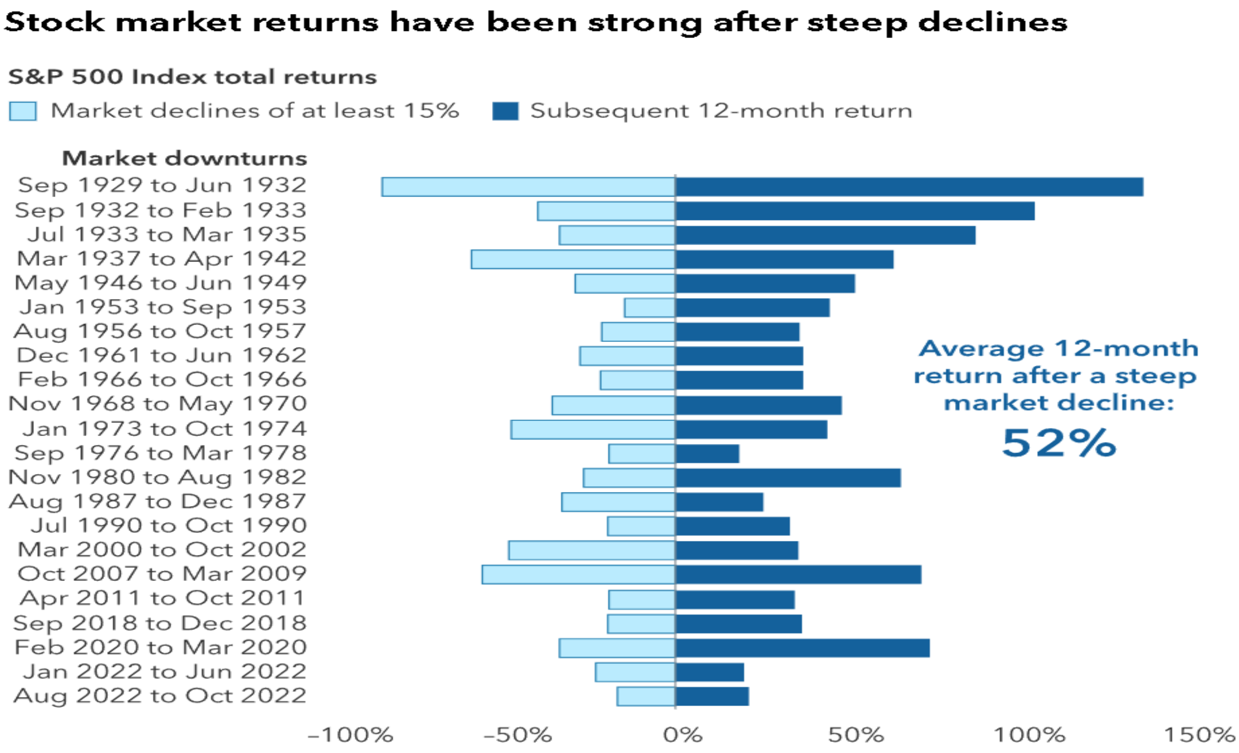


Sources: Capital Group, Standard & Poor's. Value of hypothetical investment in the S&P 500 reflects the total return of the index over the period from January 1, 2018, to December 31, 2019.

Will market choppiness in 2025 give way to smoother sailing in 2026? There's no way to tell, but next year's midterm elections could shift the Trump administration's focus to trade deals and more bread-and-butter issues that add economic optimism rather than uncertainty.

2. Markets typically have recovered quickly

While markets can be treacherous during periods of heightened volatility, they have often bounced back quickly. Indeed, stock market returns have typically been strongest after sharp declines. The average 12-month return immediately following a 15% or greater decline is 52%. That's why it's often best to remain calm and stay invested.



Sources: Capital Group, Standard & Poor's. Each market decline reflects a decline of at least 15% in the value of the S&P 500 Index, without dividends reinvested. Results over the various time periods are from September 7, 1929, through October 12, 2022.

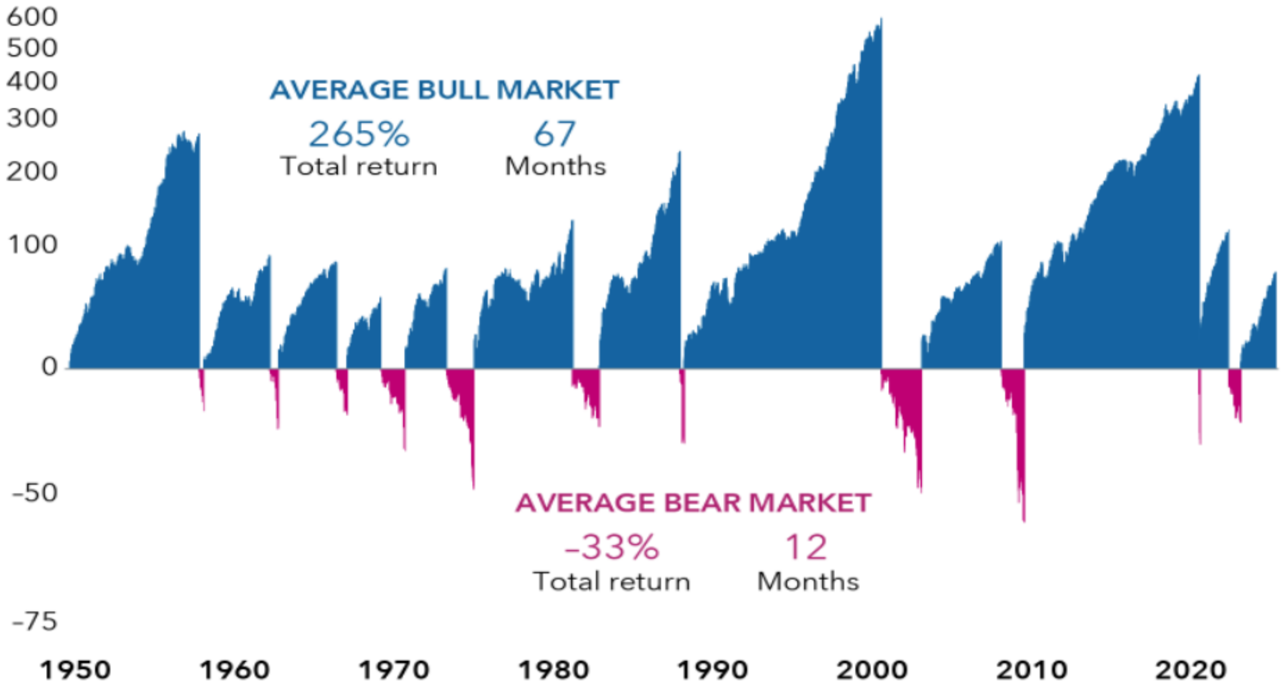
How often do market corrections of 10% or more turn into entrenched bear markets? Turns out, not often. More common are short pullbacks ranging between 5% to 10%. While these may feel unsettling, on average, a drop of 5% occurred twice per year while corrections of 10% or more happened every 18 months from 1954 to 2024. And while intra-year declines are common, the good news is 37 of the last 49 calendar years have finished with positive returns.

3. Bear markets have been relatively short-lived

A long-term focus can help investors put bear markets in perspective. During the period starting January 1, 1950, and ending December 31, 2024, there were 11 periods of 20%-or-greater declines in the S&P 500. And while the average bear market decline of 33% per year might have been painful to endure, missing out on the average bull market's 265% return could have been far worse. Bear markets are also typically much shorter than bull markets. Bear periods have averaged 12 months, which can feel like an eternity, but pale in comparison with the 67 months of average bull markets — another reason why trying to time investment decisions is ill-advised.

A long-term focus helps provide perspective

Cumulative price return for each S&P 500 bull and bear market (%)

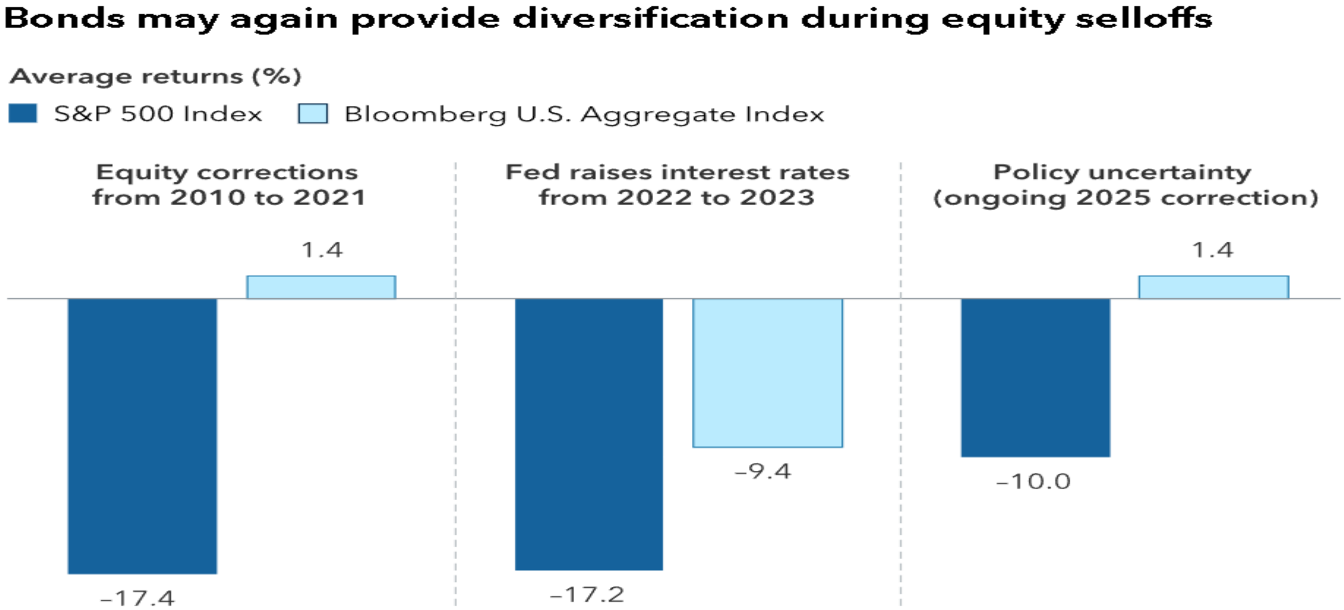


Sources: Capital Group, RIMES, Standard & Poor's. As of December 31, 2024. The bull market that began in 2022 is considered current as of December 31, 2024, and is not included in the "average bull market" calculations. Bear markets are peak-to-trough price declines of 20% or more in the S&P 500, ending with a 50% recovery relative to the prior peak. Bull markets are all other periods. Returns shown on a logarithmic scale.

Most bear markets coincide with recessions, which are also relatively infrequent. In the absence of a recession, a growing economy can still spur positive corporate earnings growth, which supports equity prices. Market declines outside of a recession have tended to be shorter than those during a recession. Forecasting the start of the next recession is difficult. Many investors, for example, were bracing for a recession when the Federal Reserve raised rates in 2022 to combat sky-high inflation. Instead, the U.S. economy grew, and the S&P 500 Index posted double-digit gains in 2023 and 2024. In the current environment, steep tariffs elevate the risk of a recession. Policy uncertainty is causing companies to pause investments and hiring while prompting consumers to reduce spending. But the economy has surprised to the upside before, and it’s too early to tell if widespread job losses, the hallmark of a recession, will occur.

4. Bonds can offer balance when it is needed most

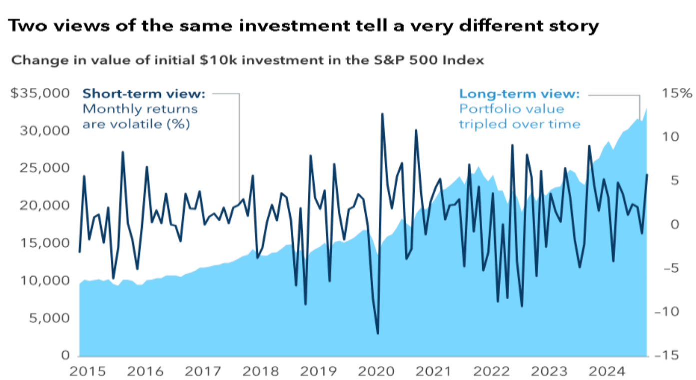
In periods of slowing economic growth, bonds often shine brightest. In fact, it’s the reason why high-quality core bond funds are often the foundation of a classic 60% equities and 40% bonds portfolio. While the exact allocation may shift, a diversified portfolio is intended to generate attractive returns while minimizing risk. Bonds tend to zig when equity markets zag, and so far this year that pattern is holding. The Bloomberg U.S. Aggregate Index returned 1.88% year to date as of April 15, 2025, compared to the 7.89% decline of the S&P 500 Index. An exception was 2022 when stocks and bonds both fell significantly in the face of rising inflation and rapid interest rate hikes by the Fed.



Markets are penciling in rate cuts this year in anticipation of a tariff-induced economic slowdown. Fed officials face a challenging backdrop when it comes to determining an appropriate policy response. They need to balance labor market and growth concerns with potential inflationary pressures. Still, significant economic downturns have typically been met with rate cuts, which would have helped boost returns for core bond funds during these periods, as represented by the Bloomberg U.S. Aggregate Bond Index. Bonds should offer diversification in equity market downturns as their prices normally rise as yields fall. Moreover, with bonds offering compelling income potential today, investors may be able to take on less risk with high-quality bonds while still meeting their return expectations.

5. Staying the course has paid off for long-term investors

When markets are volatile, it's hard to resist the urge to *do something*. Suggestions to stay the course offer little comfort when markets and emotions are spiraling. But in many cases the best course of action has been none at all. Consider two contrasting perspectives of the same 10-year period ending in 2024. The short-term view shows monthly swings in the market, the most dramatic being the 12% decline in March 2020 as COVID gripped the world and froze the global economy. The long-term view shows a hypothetical $10,000 investment over the same time frame. Staying invested through the entire decade, riding out the ups and downs of the pandemic, would have more than tripled the investment to $34,254.



The lesson? Market declines can be painful to endure but rather than trying to time the market, investors would be wise to stay the course. To weather market volatility, they should seek diversification across stocks and bonds, while periodically examining their risk tolerance for elevated volatility. Though it may feel like this time is different, markets have shown resilience throughout history when confronted by wars, pandemics, and other crises.

Park Place Wealth Advisors, Inc.

Daniel J Gannett

18 Orinda Way
Orinda, CA 94563
(925) 254-7766
(408) 733-0245
Fax (925) 258-0591

As always, we encourage investing with your goals in mind, keeping a reserve for emergency needs.

We are available for in person, phone or zoom reviews. Give the office a ring and we can discuss your investing goals and needs.

Estate Planning

Retirement Planning

Long Term Care Planning

Insurance

Corporate Qualified and Non-Qualified Retirement Plans -401(k)-

Educational Funding -529 Plans-

Charitable Planning

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