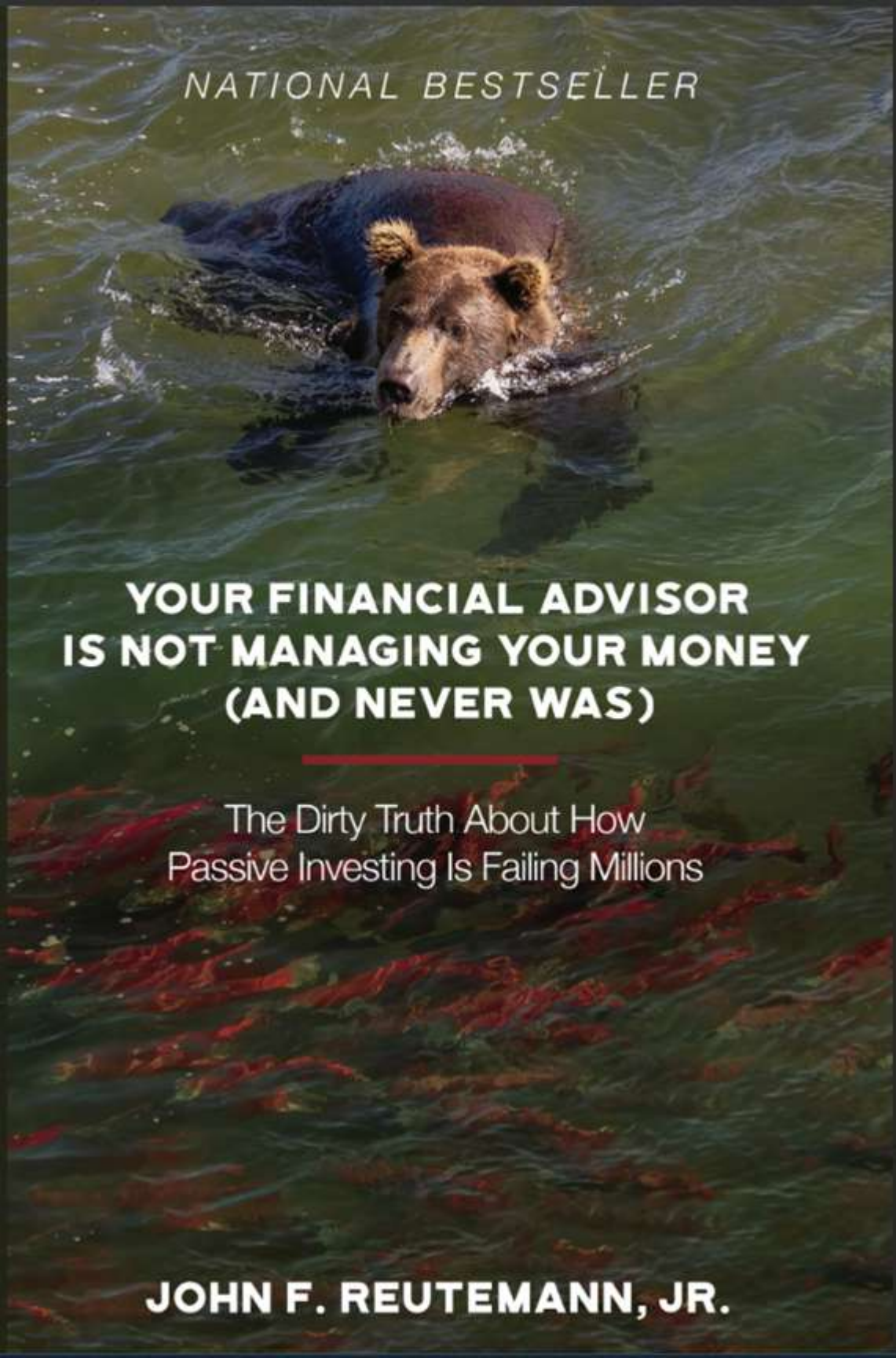
NATIONAL BESTSELLER



YOUR FINANCIAL ADVISOR IS NOT MANAGING YOUR MONEY (AND NEVER WAS)

The Dirty Truth About How Passive Investing Is Failing Millions

JOHN F. REUTEMANN, JR.

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DEDICATION

When I was asked by my publisher to write a dedication, I knew what it would say immediately.

As I write this, Antoinette Rene Rogan Reutemann and I have been married over fifty-two years, since June 2, 1973. We both graduated from college, then "Toni" went for her Masters in Special Education. We both went to work and made money. That's how it was back then—no living in your parents' basement! After our first of five children was born, my business was doing well enough to allow her to retire from teaching and be a stay-at-home mom. Toni gave me five awesome children. They're all college grads with big jobs. The family boasts two doctors, and our only son is a US Air Force major chaplain, a Catholic priest with a DMin and an MDiv.

Toni, thank you for fifty-two fabulous years and for our children Kathryn, Colleen, Patricia, John III, and Annaliese. Thank you for Reilly, Jay, and Ben—our terrific sons-in-law—and for our amazing grandchildren Kyra, Landon, Morgan, Macey, Madilynn, Elliott, Nolan, Finnley, and Raegan.

Toni is our family glue. She holds everyone together and accountable. I couldn't have done what I have without her enormous help. In my younger days, there were many twelve-hour days, six days a week. Toni kept it all together. Not one homework assignment was ever missed. Love you forever!

CONTENTS

The Opening Bell **1**
The Page 4 Chart 4

PART ONE: THOSE KILLER BEARS **7**
1 Bears Are Killers. So Are Bear Markets. **9**
What Is a Bear Market? 9
Reading the J.P. Morgan Page 4 Chart 11
Bear Markets Really Hurt 13
The Stakes 14
It's Possible to Beat the Bear 15
Psychologists Know 18

2 The Mauling **23**
History Repeats Itself 24
Who's Managing Your Risk? 25
Most Americans Have Debt, Not Wealth 30
National Debt Is Personal Debt 31
Back to the Bear 33
Do You Have Time to Recover After a Bear Market? 34

3 The Buy-and-Hold Insanity **43**

PART TWO: WHEN THE BEAR EATS YOU **49**
4 The Current Narrative **51**
Bear Markets vs. Market Corrections 53
Mental/Emotional Distress 54

5 Buy-and-Hold Should Be a Crime **59**
The Buy-and-Hold Narrative 59
Timeline of Investment Advisor Philosophies 63

6 Buy-and-Hold Pie Chart Promoters **67**

The Pie Chart and True Diversification 69
Do Mutual Funds Diversify Your Investment? 70
The Bear and Real Fee-Based Management 71

7 Portfolio Management? I Think Not! 73
Analysis and Money Management 74
No Management from Managers 75
The Big Fraud 78

8 The Biggest White-Collar Scam 81
Those Red Flags 81

9 Why I Had to Write This Book 85
The Origin of This Book Is a Gorilla 88
The No More Pies Seminar 92
Eighty-Sixed from CNBC 93

10 A Little Math to Scare You 97
The Pie Chart Portfolio Explained 97
Sequence-of-Returns Risk: The Real Math 100
Time to Recover from Being Mauled by the Bear 102
AGG vs. S&P 500 103
Myth: Bonds Down, Stocks Up 109

11 Insanity, Doubled 111
Advisors Lose Too: Double Insanity 111
Are Advisors Bailing Out? Yes and No 112
Your Money Doesn't Have to Be the Bear's Lunch 115

PART THREE: YOU EAT THE BEAR 117

12 Data-Driven, Data-Proven Statements 119
No Human Alive 121
Investor Returns vs. Investment Returns 123
Cash Flow Makes Those Returns a Lie: Cash Flows Distort 125

13 Where to Get Wealth-Preserving,

Wealth-Building Management **129**
How to Interview a Financial Advisor 131

14 Take Your Wealth Away from the Pie Chart Promoters **135**
The Page 4 Chart Signals 138
Novice Investors Beware 140
The King Farm Story 141

PART FOUR: THIS MATH CAGES THE BEAR **145**

15 The Eleven Charts **147**
Eleven Charts 148
Examining the Eleven Charts and the MAGS 163
Consumer Discretionary Sector 165
Style Boxes 167

16 Ten Best and Ten Worst Days **171**
Keep the Ten Best and Avoid the Ten Worst 172
Moving Averages 172
One Technique Does Not Make a Strategy 176

17 The Truth About Variable Universal Life **179**
A High-Return True Story 183
Closing Bell 188
What I Believe 193

About the Author **197**

Endnotes **201**

THE OPENING BELL

Look at this heart-wrenching blast from the past reported on October 19, 1987, by CBS:

> They're calling it the Monday Massacre—the worst drop in Wall Street history. I just came from inside and it looks like a madhouse. . . . By the closing bell, the Dow Jones Industrial Average was in the steepest fall in its 103-year history,[1] down more than 500 points. . . . Today's loss was far greater, more than 22%[2]. . . . more than $500 billion today.[3]

Look at this October 2002 news, even if it still hurts your tech-loving heart:

> The NASDAQ fell from its peak of over 5,000 points in March 2000 to around 1,100 points by

> October 2002, a loss of nearly 80% of its value. The market downturn erased about $5 trillion in market value.[4]

Look at this perhaps all-too-familiar 2009 news from the mortgage and financial crash era: During the global financial crisis,[5] the S&P 500 lost nearly 50 percent of its value from its 2007 peak to its 2009 trough, wiping out trillions of dollars in market capitalization worldwide. And on March 5, 2009, the Dow Jones closed at 6,926, a drop of more than 50 percent[6] from its pre-recession high. Note that the above authors and commentators were being generous (or just sloppy in their research and reporting). The bear ended at -57 percent!

If that's not enough to get your blood boiling, all of you are of an age to remember these next two pieces of 2025 news and seethe. On March 14, 2025, CNBC reported:

> The S&P 500's rapid 10% decline from a record high into correction territory has wiped out trillions of dollars in market value. The market value of the S&P 500 at its Feb. 19 peak was $52.06 trillion, according to FactSet. Thursday's decline put the index's market value down to $46.78 trillion. That makes for a total loss of about $5.28 trillion in about three weeks.[7]

And then, on April 3–4, the markets lost $6.6 trillion in value—the largest two-day loss in history, MarketWatch announced.[8] Forbes reported on April 6, 2025, "The U.S. stock market has wiped out $9.6 trillion since Inauguration Day."[9]

But wait!

Market value's down? The market? The S&P lost? The S&P? A loss for the NASDAQ? *The NASDAQ?!*

No, no, no! The market didn't lose. The S&P didn't lose. The NASDAQ didn't lose.

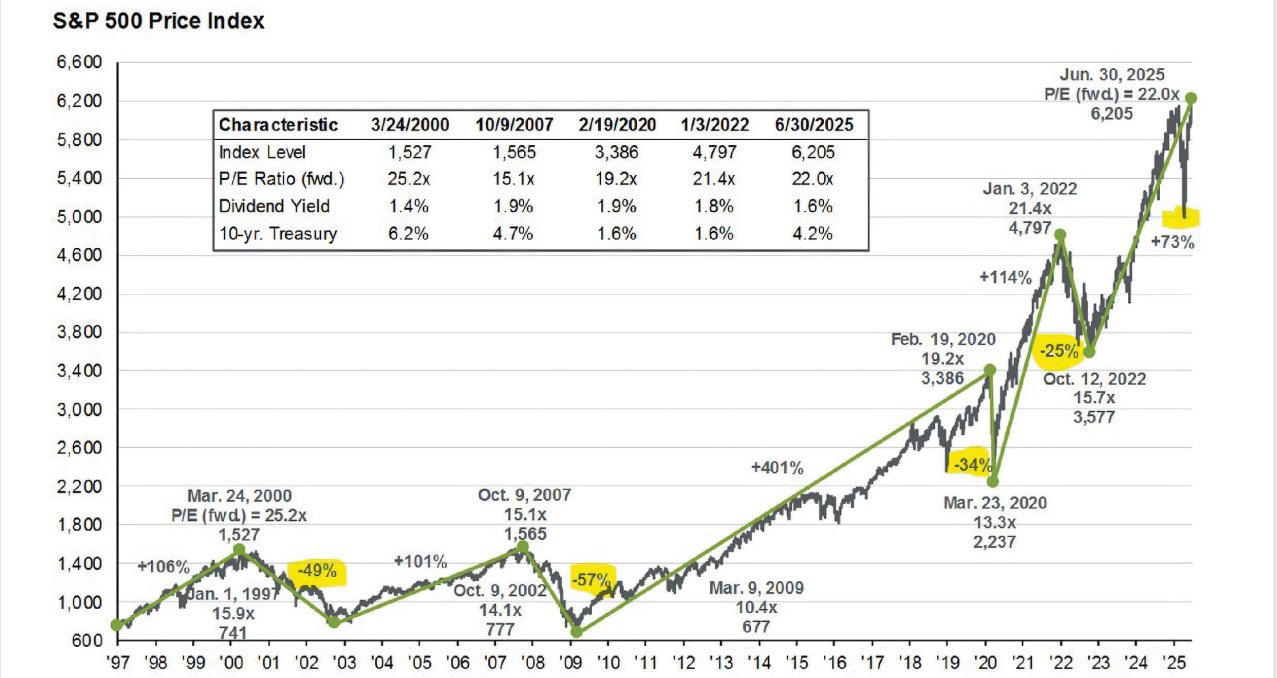
That's the first lie you need to wrap your head around.

It was real, live, flesh-and-blood people who lost.

Real Americans you might know did this losing. They were people like schoolteachers, factory union workers, nurses, electricians, payroll clerks, and mid-level managers. They were big-city, small-town, white-collar, blue-collar, college-educated, trade-school-certified Americans. Let's not forget to add that twenty-eight-year-old granddaughter of yours—the one you encouraged six years ago to sign up for a 401(k) and max it out.

And you. You, your parents, your children, your friends—these flesh-and-blood people lost billions or trillions of dollars, not "the market." Our team at Research Financial Strategies was able to avoid most of the carnage.

S&P 500 index at inflection points



The Page 4 Chart

Say hello to J.P. Morgan's famous "Page 4 Chart." Finance experts all know "Page 4." It is often cited in the financial media. Market analysts often use it for clarity and insight. Historically, it has signaled turning points in the market or major investment themes.

Your investing education begins here. With the Page 4 Chart. This chart, published in J.P. Morgan's monthly "Guide to the Markets,"[1] shows the ups and downs of the S&P 500. (The S&P 500 is a major stock index that tracks the performance of five hundred of the top publicly traded companies in the United States.)

On the opposite page is the Page 4 Chart from June 30, 2025. Later in this book, I will tell you why this chart's highlighted declines in the market are so important to understand—and why the last one has no data. Stay with me! It will all become very clear as we proceed.



(To get the most recent version of the Page 4 Chart, just Google "guide to markets." Select the first search result from J.P. Morgan. You will then see this screen. Click through the presentation until you reach Page 4.)

1 This chart of the S&P 500 appears in JP Morgan's "Guide to the Markets," published monthly by JP Morgan Asset Management Company. https://am.jpmorgan.com/us/en/asset-management/adv/insights/market-insights/guide-to-the-markets/. This chart is from the June 2025 edition.

Why did union workers, schoolteachers, and your twenty-eight-year-old granddaughter lose that much money in the market? Because of their advisors' buy-and-hold approach to "managing" their accounts. Because their advisors were not, in fact, "managing" their accounts.

I'm going to show you that losing your shirt in a bear market is not inevitable. In fact, it is avoidable.

But first, what kind of market is it where the S&P 500 and the others lose so much of your money?

PART ONE
THOSE KILLER BEARS



Photo credit: iStock.com/jhorrocks

Bears out in the wild kill. So do bear markets.

And yet—*and yet*—most financial advisors don't protect their clients' wealth from those bear attacks.

It's hard enough for most Americans to save any substantial amount of money. And it takes a fair bit of

courage to then give that money to a financial advisory firm for management. So it makes me angry that the clients of those firms are not getting the money management services they pay for.

Let's look at what makes a bear market. I'll reveal to you what no one else wants you to know. I'll reveal the fallout of a bear market for so many people. I'll talk about what those financial advisors are or aren't doing to protect your investments.

Only then can we examine how to beat the bear—and protect your wealth.

1
BEARS ARE KILLERS. SO ARE BEAR MARKETS.

A stock market chart, called the Page 4 Chart, opens this book. Go back to page 4 and look at it. It shows the Standard & Poor's 500 index (S&P 500). You see that the line from left to right rises and falls. It's pretty straightforward as far as charts go.

What Is a Bear Market?

Everyone who's ever invested money knows that a rising line indicates a bull market and rising prices. This is when everyone's getting greedy, pouring more money into the markets because they're making money. Everyone is strutting their stuff because they feel so smart.

When the line makes a large descent, it's called a bear market, and prices are falling. It's also when everyone's panicking, scared to death, wringing their hands, and finally just

getting the hell out of Dodge. How? They pull their money out of the market at the worst time to sell.

I'll come back to that chart in just a minute. It's a chart of the S&P 500 index, as I said, or the top 500 companies listed on the stock exchange. While it's not the only index and chart out there (more on that later), it is one of the most commonly consulted.

Most people don't know that the S&P 500 wasn't born until 1957. If you want to accurately quote the S&P 500 with maximum data, that's the year to start.

However, a respected firm called Yardeni Research has gone back into historic records and compiled data[10] showing that since 1925, we've had twenty-two bear markets. Count that as ninety-nine years of data becuase 2025 isn't over yet.

The official definition of a bear market is **more than a 20 percent drop in value**. If the market declines 19.99 percent, it's not officially counted as a bear market (and that's why my Page 4 Chart shows no negative percentage data in that June 2025 drop—because it didn't drop more than 20 percent). Expand that definition, however, and there have been another 150 of those bear markets since 1925.

What I find interesting is that the public isn't being told this historic truth. If you divide ninety-nine years by twenty-two bear markets, we could theoretically **expect a bear market every 4.7 years**. That's theory. In reality, they could also come more frequently than that.

Let's say the American adult works and saves for more than forty years. That would theoretically mean every one of

us would experience eight or so bear markets. And that's just counting the "official" bear markets. You simply must factor in those other drops in the market that come in at 19.99 percent or less.

The question is not whether we'll have more bear markets. It's how we can weather them without losing our shirts.

As a father of five and a grandfather of nine, I'm scared.

A lot of young people are just getting to the point where they can afford to start a 401(k) or begin saving some discretionary income. What scares me most is the number of people invested in the stock market who are (probably like those young people) investing novices. They don't know much, if anything, about the financial markets. I worry about all those who are median earners while being great savers or investors. A median earner/saver arriving at retirement can't afford a bear market—and they're not the only ones.

Reading the J.P. Morgan Page 4 Chart

Turn back to the Page 4 Chart. In the industry, it's so famous and so referenced that we all just call it "Page 4."

The reason Page 4 is so powerful is that it doesn't say "Jack Reutemann's Guide to the Markets." It's not my chart, so you can't say I'm inventing anything. It's the J.P. Morgan "Guide to the Markets," and it's free to anyone who wants it over the internet. The guide is a detailed document of many, many pages and lots of technical language. I've pointed out only one page of it, the S&P 500 chart that always appears on its fourth page.

The chart pinpoints each top (high point) by the S&P 500 value and the percentage gain, a +x number, from the prior bottom. It then details each bottom (low point) to two decimal places, the date, and the percentage drop (you'll see a -x number).

You can see that from March 2000 to October 2002 on the Page 4 Chart, there was a bear market. The so-called dot-com bubble burst and went splat to the tune of 49 percent of the index's value.

Fast-forward a mere four years (less than the historic average) to 2007, and you see another drop on the chart all the way to 2009. This loss of 57 percent was commonly called the Mortgage and Financial Crisis or the Great Recession.

That 57 percent loss equaled $11 trillion, which evaporated in seventeen months. Again, I want you to know my position: "The markets" did not lose. Real people lost $11 trillion.

An individual investor with, for example, $200,000 in the markets found himself with only $86,000 after this debacle. What would you do if you lost $114,000?

If you are someone who has saved more than that, add a zero to feel the pain. If you had $2,000,000 in the markets, would you be happy if your advisor lost $1,140,000 of *your money*?

I think not.

Now you might be asking this: "If someone lost everything in the dot-com bubble bear market of 2000, did they have enough time to make back their losses before the next

bear market hit in 2007–09?" I'll address that soon. Stay with me, and let's keep looking at that Page 4 Chart.

Move to the right on the chart to 2020, and you see what happened in February 2020. Another bear attack. In one month, the index dropped 34 percent. It blindsided a lot of investors.

The numbers took two years to come back to pre-February levels, only to decline again. The S&P 500 dropped 25 percent between January and October 2022. You could say the pandemic years were hard on investors because that 4.7-year average between bear markets got compressed.

You've looked at January 1 to March 23, 2020, which was -34 percent. I didn't say that; J.P. Morgan did after looking at the data. You see that from October 2007 to March 2009 was -57 percent. I didn't say that. The data said it. It's the statistical history of bear markets.

Bear Markets Really Hurt

Let me sum it up (using data as of July 14, 2025):

- The average depth of a bear market is a **37.31 percent decline**.
- The average duration of a bear market is **15.74 months**.
- The average time lost making up a bear market loss is **59 months**.
- All new growth occurred in just **34 percent** of the time period.

- In sixty-three of ninety-five years (**66 percent of the time**), people were just putting their own money back in their pockets.

"Putting your own money back in your pocket" is not why you invested. You don't want to end up with only the capital you put in. That wasn't the point, was it?

The Stakes

Let me make you really squirm. There's a phenomenon called "sequence-of-returns risk." We'll start with some examples of how it can affect you, and I'll go deeper into how it works later.

If you were sixty-five years old when you retired in March 2000, you walked into a 49 percent decline in your portfolio value. It took the S&P 500 index seven years and two months to recover to its pre-bear-market peak. By that time, you were seventy-two years old. You might have depleted your portfolio just to cover your expenses over those seven-plus years. You might have outright canceled all your early retirement overseas adventures, thinking that now you wouldn't have the funds. You caught yourself hoping and praying the market would go back up again—and faster, please! And if you were extremely nervous, you might have further compounded your market loss by depleting your individual retirement account (IRA) and incurring withdrawal penalties.

It would have taken eighty-two months, or 6.8 years, for your portfolio to break even at a 10 percent investment return per year. But, not all advisors put you in such investments. What if you were earning only a 5 percent return per year? It would have taken you 161 months to break even, or nearly 13.5 years. You'd have turned seventy-nine years old before you got back the money you had lost.

This sequence of returns was not in your favor. Quite the contrary. And what sixty-five-year-old has that kind of time? It's panic-inducing for far too many investors, and that pisses me off. Not that *the advisors* are panicked—oh, no. What makes me angry is that they lost the money in the first place.

In my opinion as a professional, the devastating losses of all those people's hard-earned money is right on the advisors' heads. I'll be ranting about that in the next chapters, but just let me explain why I feel justified in blaming your advisor—even though I'm an advisor too.

It's Possible to Beat the Bear

At my firm, Research Financial Strategies (RFS), we're not like other advisors. We've beaten the bear for most of the thirty-three years we've been serving investors. That didn't happen by chance or by luck. We have strategies to achieve that.

In each of the bear markets we just saw in the Page 4 Chart, my team and I achieved the results in table 1 for

our clients. It's because we do things differently from those other advisors.

Table 1. Bear Market Performance: RFS vs. S&P 500 (2000–22)

The Bear	The S&P 500	My Firm, RFS
2000–02 dot-com crash	-49%	+13%
2007–09 mortgage & financial crisis	-57%	-4%
2020 pandemic	-34%	-1%
2022 bear market	-25%	-5%

Yes, my firm was in the single-digit negatives in three of those markets. But look at how small those losses are compared to the index's losses. Our clients were much better off—our numbers were nowhere near as painful as those suffered by most advisors' client accounts.

I'm not writing this book on technical analysis (maybe the next book can be about that). I'm not writing a book on reading charts filled with advanced data. My goal isn't to teach you how to do any of that. I'm not getting into that very much at all. But, I'll do it just enough for you to understand that your advisor is lying to you.

To get the results my firm gets, it takes ten to fifteen of our staff staring at the computer from 9:30 a.m. to 4 p.m. every day. On any given day, our team is analyzing over three thousand stocks, bonds, and exchange-traded funds (ETFs).

We are *active* managers in my firm. We'll know when your growth stocks might be eaten by the bear. It's our job to know when the market is going up and it's your turn to eat the bear.

As my numbers show, we don't let our clients' wealth be devoured by a bear market decline like everyone else does. We take the necessary steps to protect your wealth. That, as we see it, is as much our job as increasing your wealth.

How do I dare say that everyone else in my industry sits there watching the bear? How do I dare say they're not serving your very best interests? Well, if the hundreds of thousands of advisors in this country did their jobs, you wouldn't be afraid of putting your hard-earned $250,000 into the markets.

Look at the chart. It tells the whole story.

I don't care what your political beliefs are. I have to say this, though. After the 2024 election, James Carville wrote, "Perception is everything in politics, and a lot of Americans perceive Democrats as *not feeling their pain or caring too much about other issues.* If we're going to win again, we've got to *show people that we understand what they're going through and that we have their backs*" (italics mine).[11] Mr. Carville is a Democratic Party critic, and no doubt just one among many, but he's made a point. The point, in my opinion, applies to the financial services industry. Failing to demonstrate care for their clients is what financial advisors have been doing for decades and decades. They're looking after themselves,

not you. They don't have your back. Ever heard the famous Wall Street joke: "Where are all the customers' yachts?"

It makes me angry. I'm really upset with those financial advisors who aren't managing anything for you. I'm pissed that they're giving us all a bad name. I'm angry that they won't do their jobs for their clients in spite of having all the information, tools, and resources that my team and I use. I'll have a lot more to say about them in the rest of these pages.

I am also deeply distressed about the untold side of the story.

Yes, a market decline of 57 percent is staggering. But what many fail to grasp is the collateral damage. Unless you dive into the statistics (I'm a technical market analyst, so I do), you won't know the effects a 57 percent decline has on an investor. Unless you talk with mental health professionals (and I have some among my clients, so I do), you don't know what investors are going through in such a bear market.

Psychologists Know

What keeps me up at night is the darker side of bear markets. Some of it may leak into media reports, but the media don't really like to broadcast it. What I'm about to tell you isn't on the website of any major financial advisory or brokerage firms, but that doesn't make it any less true.

I can tell you firsthand about it. Among my clients, I have well over twenty practicing psychiatrists, psychologists, social workers, and other mental health professionals who talk and fret about this.

Remember what happened in 2009, the -57 percent bear market? That was a deep recession period. It was also the year that suicides, medical depression, alcohol and drug abuse, and cases of domestic violence all went through the roof.

By the summer of 2009, the mental health profession was sounding the alarm, and not just in the US. *The British Journal of Psychiatry*[12] reported on the suicide rates of that year, estimating that the economic crisis in Europe and North America led to more than 10,000 extra suicides. Forbes picked up[13] and reported on the study's findings, as did the BBC.[14]

So the dark side to -57 percent isn't on any financial services website, which might only say, "Oops, sorry! You lost 57 percent of your money. Just stay the course. Hold on, and the market will bounce back."

I have a home in Florida, but I'm from Montgomery County, Maryland. It's one of the most affluent counties in the nation (maybe because Washington, DC, is on its border).

This is where all the big corporations and many large federal agencies are located. We have Marriott International, Lockheed Martin, the US Food & Drug Administration (FDA), the US National Institutes of Health (NIH), the US Department of Health & Human Services (HHS), Bethesda Naval/Walter Reed Medical Center, Montgomery County Public Schools (one of the largest school districts in the United States with over two hundred schools),

Giant-Landover Foods, Adventist Healthcare, Johns Hopkins Medicine, and so on.

It's also where many wealthy doctors, lawyers, businesspeople, and Congress members call home. They want their kids in Montgomery County's outstanding schools.

Why would I tell you this? Not to brag. Nope. To give you context.

I have a client, Dr. M. He's seventy-eight years old this year and is still a practicing psychologist. He could have afforded to retire twenty years ago, but he loves his work. A few months back (early spring 2025), he said to me, "Jack, I'm getting burned out. I'm working six days a week, eleven hours a day, seeing sixty-six patients every week, and I have a waiting list of sixty more people trying to get in to see me."

I was shocked. "Doc, you're in the middle of one of the richest counties in the nation. How can there be that many people in Montgomery County, Maryland, who need you?"

He sighed. "A lot of people in Montgomery County, Maryland—a hell of a lot—are in trouble. In some cases, it's unemployment. In some cases, it's couples working ten to eleven hours a day, and their marriages are falling apart."

As the bear markets hit, we as a nation witness alarming spikes in suicide, depression, domestic abuse, violence, substance abuse, foreclosures, evictions, and repossessions. This is what I've been calling "bear market collateral damage."

The good doctor wouldn't reveal more to me. He's a mental health therapist in one of the richest counties in the

nation, but the number of people in some kind of mental, emotional, or monetary pain there is beyond believable. It's due to bear markets decimating their wealth and having a ripple effect on so many other areas of their lives.

Right alongside this, we have many college graduates out there who are working for the most part, sure, yet still living with their parents. Their annual college tuition was more than any job is now offering them. We live in a mad, crazy world.

No big financial advisory firms talk about this. Nothing I just told you is on their websites. All that's on those websites is rubbish like "We're bullish" and "You can't time the market." They want you to do that buy-and-hold thing. They want you to stay in the game for the long term.

James Carville and others may have been right that the Democrats don't care too much about Americans. However, in my view, they pointed their fingers at the wrong people. Financial advisors weren't even on their radar. The big brokerage firms and their so-called advisors abandoned you too. You got no management. As a result, you were down 57 percent.

It's a grim reality that "the markets" are not the losers. Investors are. They risk their wealth, their emotional and physical health, their marriages, and their homes. Younger people are depressed by never being able to afford a home or save money, much less keep up with student loan debt.

This crisis scenario is cleverly denied and obscured by the buy-and-hold, wait-it-out narrative of the big firms.

I'm going to reveal what's really going on because almost no investors know. And you must.

2
THE MAULING

We saw it in chapter 1: While investors are pleased at a rising bull market, they panic when a bear market hits. The majority of financial advisory firms and their personnel are part of the panic problem.

If we're having a bull market, everybody's money is gaining—boats all rise together. In a bull market, my firm doesn't look much different from others in the industry.

My particular business does best in volatile bear markets. This is because my firm looks and acts differently from other firms and their advisors. In any bear market correction—*any of* them—we apply a formula that the others ignore.

We use a "sell-side strategy" (more on that later). It allowed us and our clients to be down by only 1 percent when the next-to-last bear market, according to the S&P 500 data, was down 34 percent.

Me? I'm happy to have this strategy and to apply it for my clients with success. In my opinion, those other advisors who have the same tools as my team but don't use them are incompetent. They're not money managers. Far from it. They are the problem.

I do know this: If I can contribute to fixing the problem, then that's part of my agenda. If I can be part of the solution with this book and the knowledge you gain from it, I will have achieved my goal.

History Repeats Itself

Human beings in general, and Americans in particular, are lousy historians. Just look at World Wars I and II, the Korean conflict, Vietnam, Afghanistan, and Iraq. It just keeps going on and on. We just keep marching off to war because some baked-in institution (that can't see the world differently) says so.

As I showed you in chapter 1, the financial markets in our country have lots of history. There is lots of data to learn from, trends to analyze, and patterns to understand and use to our advantage.

Most advisors don't do any of that for their clients' benefit.

Americans—not just advisors—are notoriously guilty of not learning from history. And that's a problem when you're trying to understand today's problems (which might just be history repeating itself). Learn from history if you really want to get ahead.

In the stock markets, we have lots and lots of history. Most are not learning from it. I resent that. As a professional, I learn. I educate my clients and advise them of risks. I tell them our strategy to avoid or mitigate risks to their wealth. Stay with me, and you'll learn too.

Who's Managing Your Risk?

When skies are blue, employment is strong, and times are good, Americans don't focus on risk management. After all, you don't need car insurance when your vehicle is parked safely in the garage. You don't need flood protection for your house till the drought ends and water starts rising around it.

It's the old joke that in a bull market, the sun is always shining, and no one who owns trailer parks is lined up to buy hurricane insurance.

But when the bears attack, that's exactly like when the hurricane is three miles off the coast. People mob Geico and State Farm hotlines and agent offices and try to get hurricane insurance. And the insurance companies' answer is "Of course you can't. Are you stupid? You should have called us when the sun was shining and the sky was blue."

The same thing happens in a bear market. Unfortunately, this is a good analogy for the majority of Americans with money invested or to invest. They don't understand risk management because it's not on their radar when all markets are rising. And when the bear attacks, they haven't managed their risk, but neither have their advisors.

In our history of stock markets, we have had bear markets. The question is, do you understand the implications of a bear market for you and your life? Bear markets affect your salary and your health. They affect your marriage, your kids' ability to go to college, and your ability to pay the mortgage.

In 2007–09, millions of people walked away from their homes. The common phrase then was "We're underwater," meaning the equity in their homes had disappeared, and they were drowning in mortgage payments and other bills, unable to hang onto the house any longer. There were millions of foreclosures and short sales.

Table 2 summarizes the nationwide US foreclosure filings in all stages (default notices, auction sale notices, bank repossessions, etc.) during and just after the Great Recession.[15]

Table 2. Foreclosures, 2007–12

Year	Total Foreclosure Filings, All Stages	Properties Affected When Known
2007	~1,800,000	1,283,943
2008	3,157,806	2,330,483
2009	3,957,643	2,824,674
2010	~2,900,000	
2011	~2,300,000	
2012	2,304,941	1,836,634

Add up the foreclosures in the table. Go ahead. It's the largest number in our history in such a time frame. There

were 16,420,390 foreclosures according to the data I found (and note that the industry, or at least some data gatherers, seem to have only rounded the numbers for 2007, 2010, and 2011).

More than that, we must remember that loss of a significant asset and symbol of security such as a home is devastating, not just financially but emotionally, to any property owner and their household. Mental health studies associate suicides with those foreclosures.[16] Real people took their lives. Add that to what we said previously about bear market losses, recession, and the mental health ramifications. It's the personal fallout that is the most devastating, and it breaks my heart that our nation came to this place.

Imagine you and your spouse lose 40 percent of your retirement funds. Do you understand the consequences of that?

I'd put my hand in the fire and say that your employer's 401(k) administrator has never, ever talked about bear markets. The administrator also never uttered the words "market risk," "potential for loss," or "protective strategies" to you.

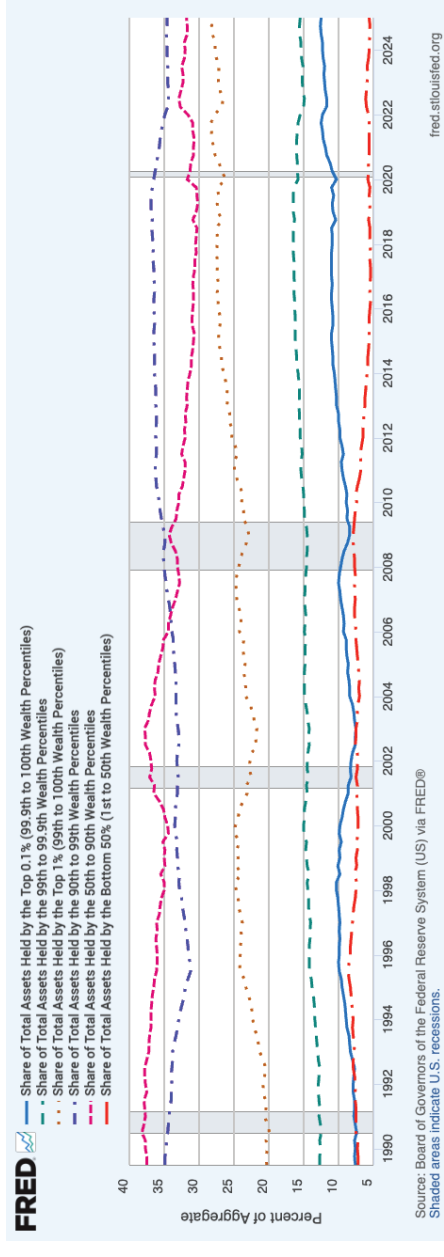
That's what makes me angry. It's not just that these financial advisors—so-called professional money managers—are not really managing your gains optimally in bull markets. They're also putting their heads in the sand about what happens to your wealth when the bear comes barreling along.

This approach, this attitude toward money, is all the more surprising because the wealthiest 1 percent of

Americans control a majority of shares in the US stock market. Wouldn't you think they'd be the smart ones? Wouldn't you think they'd want their advisors to protect and grow that great wealth? It's a question for the ages!

Don't believe me? Look at figure 1.[17] The wealthiest 1 percent of individuals own half of all corporate equities and mutual funds[18] in the United States, per the St. Louis Federal Reserve. The top 10 percent of Americans by wealth own close to 90 percent of all stock market holdings. What's also telling is that this ownership hasn't changed meaningfully over time. They've owned 80–90 percent since the end of the 1980s.

Figure 1. Who Owns Stocks in the United States



Most Americans Have Debt, Not Wealth

What about the flip side of that coin? If the top 10 percent own 90 percent of all stock holdings, what about the rest of our population?

Well, 77 percent of our population owes money. According to the American Public Health Association, in 2019, 77 percent of US households reported holding some type of debt.[19] That's three out of four people, households, and families with debt instead of wealth.

That includes not only credit card debt, which is $1.21 trillion[20] in 2025 all on its own. It's also mortgages and home equity lines of credit (HELOCs), auto loans, and student loans. It's personal loans, medical debt, legal financial obligations like child support, and so on. We're in debt not just for wants but for needs like housing and healthcare.

Out-of-pocket medical costs are already known to decimate too many Americans' wealth and savings. Those out-of-pocket costs could be tens of thousands or hundreds of thousands of dollars. I can't fix the health insurance industry, but please recognize that the loss in a bear market is not very different. It could be devastatingly worse.

None of this is the sign of the "greatest economy in the world," as some of our politicians brag. It's not the affluence we grow up hoping for, expecting, and deserving. It's not the American Dream.

National Debt Is Personal Debt

Not everyone is comfortable carrying debt even though it might be a necessity. People tell me, "I don't feel rich with debt, but once it's paid off, I feel free!"

We know that 52–64 percent of the public is living paycheck to paycheck,[21] and at the end of the month, many have more debt than they have income to pay the debt. Up to two-thirds of credit card holders don't or can't pay off their balance in full every month. They are counting on next month's income to get by now. (These numbers vary,[22] as institutions in the industry have their own data, but you get the idea).

Those paycheck-to-paycheck people are called "non-discretionary consumers." They don't have the money to go to Home Depot and buy materials for a $50,000 home renovation. The remainder of the people are "discretionary consumers." They pay all their bills on time and have no rollover in their credit card balances. They have money left over after paying their bills and other expenses.

The charts my team and I use tell us whether people who have money—the discretionary consumers—are or are not spending it. This group will spend in a bull market like they're doing today, in mid-2025. But, in bear markets, they won't spend it. They sit on their cash and wait (see my chapter on the Eleven Charts for more detail about why).

This isn't just my opinion. Home Depot's chief financial officer (CFO), Richard McPhail, appeared on CNBC on August 13, 2024, to discuss how business looked for the company.[23] This was, of course, before the 2024 presidential election.

One of the reporters said it didn't look like Home Depot was having a great year.

The CFO said, "Let me tell you what our partners are telling us."

To understand his response, you have to know who Home Depot's partners are. They are all the professional construction companies and general contractors that buy materials to build for other people. You and I, the retail shopper, are not their partners.

The CFO reports that the company's partners see that rich people aren't spending money. It isn't because they don't have it or because they're afraid of the interest rates. Home Depot's partners are telling them that rich people aren't spending money *because of fear*.

Banks hoard cash. So do wealthy individuals. The banks stop lending. The rich stop spending. They're scared of the future and scared to lend and spend. Banks and the rich hate uncertainty.

I made a big note of that for my team at the time: They're not lending or spending money because they're scared.

Back to the Bear

Let's extrapolate. If the bulk of the population holds over a trillion dollars in credit card debt and doesn't have enough discretionary income to pay it off, how likely are they to have significant liquidity for investments or 401(k) deposits? How likely is it that they've been saving (or that they've been able to save) for their retirement?

Not very likely.

I don't hide this: I work with affluent clients. But, I'm no fool. I know that Americans between ages sixty-five and seventy-four have an average of $200,000[24] in savings. Because that's an average, many Americans will scoff and say, "Jack, please. We have less. *Far* less." Then we have those who've been saving so much more and who are so affluent, they get to use investment advisors and certified financial planners.

I have a very good friend who's an extreme liberal. He said to me one day, "Jack, how could you complain about Biden's administration when your real estate and stock market net worth probably doubled during his four-year term?"

I immediately responded, "Because my net worth is not the problem. What about the 77 percent in our country whose net worth didn't double because they're broke and they're sharing that $1.21 trillion in credit card debt? Even the value of their primary residence has crashed."

At the end of the day, America is not much different from any country you could name: We've got some extreme poverty alongside some extreme wealth. Are we going to allow ourselves to always have two Americas, the extremely rich and the extremely poor? I don't think that bodes well for what could happen down the road. I think if we go back through the ages and study countries that have fallen apart, it all has something to do with the ultra-wealthy and the ultra-poor trying to coexist.

Okay, my worried, angry rant is over (for now). Back to you with money in the markets. Back to saving for retirement or for a grandchild's college.

When will you need your money? I'm talking about the money you invested with an advisor that got decimated by the most recent bear market.

Do You Have Time to Recover After a Bear Market?

The stock market is a giant swimming pool. There are people getting in and people getting out every day.

If you turned sixty-five and retired on October 9, 2007 (and we can be sure thousands of people did), you immediately walked into a -57 percent bear market, as I discussed in chapter 1. You got mauled. The day you retired, you walked into 57 percent less wealth than you thought you had. Your sequence-of-returns risk came true.

You planned on getting out of the world of work and using your accumulated wealth to enjoy retirement. And

you got clobbered by -57 percent or some other devastating amount of loss.

When this happens, as I've mentioned, it can take time to get back to the amount you had (not to mention starting to profit again). But how much time does it take to break even after a bear attack? You guessed it:

1. It depends.
2. Too long.

Let's learn from history why you absolutely want an advisor with a bear-protective strategy.

The major bear markets of the past century appear in table 3. As you examine them, you might think, "Well, I have 3, 7, 22, or 25 months of ready cash to wait until I've broken even." Maybe. Keep reading the chart. Do you really have 302 months—twenty-five years—of cash reserves to tide you over while you wait, wait, and wait some more to gain back what you lost? Especially if you're sixty-five years old when those months begin?

Also think about the fact that your investments are not gaining anything in all of those months. You're just playing catch-up.

Look at the tables below that my team has collated. You'll have to wait for my Scary Math Chapter to know how I calculated those break-even or recovery times. Shake in your boots right now, imagining that *you retire a couple of*

days before one of those bears attacks. Let's start with table 3, which shows the performance of the S&P 500.

Table 3. S&P 500 Time to Break Even After Bear Markets, 1929–2002

Bear Market	Duration	S&P 500 Decline	Time to Break Even
September 1929–June 1932	33 months	-86.70%	302 months
July 1933–March 1935	20 months	-33.90%	28 months
March 1937–March 1938	12 months	-54.50%	107 months
November 1938–April 1942	41 months	-45.80%	77 months
May 1946–March 1948	22 months	-28.10%	49 months
August 1956–October 1957	14 months	-21.60%	25 months
December 1961–June 1962	6 months	-28.00%	22 months
February 1966–October 1966	8 months	-22.20%	16 months
November 1968–May 1970	18 months	-36.10%	39 months
January 1973–October 1974	21 months	-48.20%	91 months

Bear Market	Duration	S&P 500 Decline	Time to Break Even
November 1980–August 1982	21 months	-27.10%	25 months
August 1987–December 1987	3 months	-33.50%	23 months
July 1990–October 1990	3 months	-19.90%	7 months
July 1998–October 1998	3 months	-21.20%	3 months
March 2000–October 2002	31 months	-49.10%	87 months

Don't get sassy too fast when you can say, "I'll be *fine*—I own only blue chip stocks." Table 4 shows what your wait could look like by looking at what happened after the dot-com bubble burst and the Great Recession.

Table 4. Large Corporations' Time to Break Even After Twenty-First-Century Crashes

Dow Component	2000-02 Performance	Back to Even
Coca-Cola	-45%	2011
General Electric	-63%	Unknown
Altria	-67%	2005
Disney	-68%	2011
Merck	-59%	2007
Walmart	-40%	2012
Exxon	-36%	2004

Dow Component	2000-02 Performance	Back to Even
Alcoa	-60%	2007
Home Depot	-70%	2013
Hewlett Packard	-84%	Unknown
AT&T	-67%	2016
Microsoft	-65%	2015

Dow Component	10/9/07–3/9/09 Performance	Back to Even
Coca-Cola	-33%	2010
General Electric	-82%	Unknown
Altria	-26%	2010
Disney	-56%	2010
Merck	-61%	2014
Walmart	-5%	2008
Exxon	-30%	2013
Alcoa	-86%	Unknown
Home Depot	-46%	2010
Hewlett Packard	-51%	2010
AT&T	-48%	2016
Microsoft	-50%	2009

Let me call you up short again if you tell me, "I'm in diversified mutual funds. Diversification means I can't get hurt." Let me burst your bubble with table 5.

Table 5. Mutual Funds' Time to Break Even After Twenty-First-Century Bear Markets

Mutual Fund	2000–02 Performance	Back to Even
Fidelity Magellan	-49%	2007
Vanguard 500 Index	-46%	2006
Washington Mutual	-29%	2004
Fidelity Growth and Inc.	-36%	2006
Investment Co. of America	-29%	2004
Fidelity Contrafund	-35%	2005
Vanguard Windsor II	-33%	2005
Fidelity Growth Opps	-53%	2007
Vanguard Wellington	-19%	2004

Mutual Fund	10/9/07–3/9/09 Performance	Back to Even
American Funds Growth	-52%	2013
American Funds Cap Inc	-43%	2013
Fidelity Contrafund	-48%	2012
American Funds Cap World	-52%	2009
Vanguard Total Stock	-55%	2013
American Funds Inv Co Amer	-51%	2013
American Funds Income	-45%	2014

Mutual Fund	10/9/07–3/9/09 Performance	Back to Even
Vanguard 500 Index	-55%	2013
American Funds Washington	-54%	2013
Vanguard Inst Index	-55%	2013

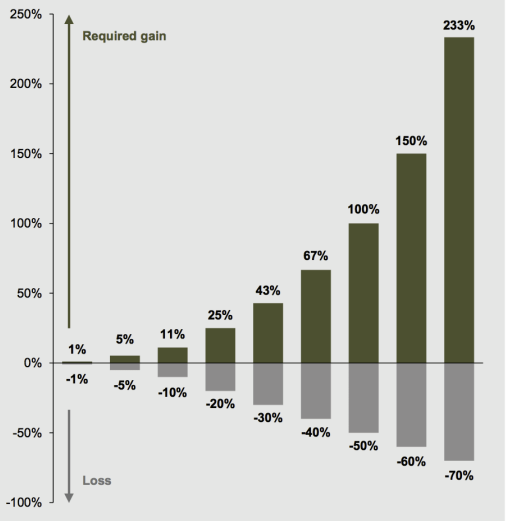
I won't include charts for the remaining bear markets, but just know that they ended, respectively, at these points:

- -34 percent on March 23, 2020
- -25 percent on October 12, 2022
- -19 percent on April 8, 2025 (not quite a bear but a close call)

All the above historical data shows what really happened. It does take a long time to recover losses. Most people lack either the time or the patience to wait. I think you get the idea that a bear market will eat your wealth down to nothing without action. Only when you've broken even can you start to make gains and profits again.

But not everyone gets math. I know this because I hear, "Jack, why so long to break even?" Math. When you're down 40 percent, it doesn't just take a gain of 40 percent to break even. Have a look at my team's math in figure 2, and understand better why it takes a while to reach pre-bear levels.

Figure 2. Gain Required to Fully Recover from a Loss



Source: Pieter, "50 Investing Visuals," *Compounding Quality* (blog), accessed August 26, 2025, https://www.compoundingquality.net/p/resources.

When you suffer a loss in an investment, recovering is a process of taking two steps back and one step forward. Look at the middle of the chart, where it shows you need to earn 43 percent to break even after a 30 percent loss. Why do you have to make so much more?

Let's use some concrete numbers to illustrate it. Say you invest $1,000, and the market tanks. You lose 30 percent of that, so now you have only $700.

You might think you just need the investment to earn 30 percent again, and you'll be whole. But 30 percent of

$700 is $210, so if it earns that percentage, you'll still have only $910—not the $1,000 you started with. You need that $700 to earn another $300, which is 43 percent, to bring its value back up to $1,000. As the chart shows, the deeper the losses, the more your investment has to earn to recover the value it once had.

None of us has a crystal ball. Maybe you know when you'll need your money after retirement and why. Maybe you don't. But wouldn't it be better for your money to be there all the time because you had advisors who paid attention to the markets for you? Wouldn't you be happier if they'd protected you from those bears? Sure, but that would have required them to let go of the buy-and-hold narrative and use a strategy that actually works.