

Columns

7/31/2017

Down Cycling

Ellen C. Wells



Ellen C. Wells

I have a new financial planner. Actually, Kaitlin is my first apart from my dad's guy. Despite her looking young enough to be my daughter, she's got a pretty good head on her shoulders. She realizes I know very little about what I should be doing with my tiny, barely existing nest egg.

I met with Kaitlin yesterday to get my ducks in a row for a potential retirement at some point in my life (I'm a farmer's daughter, so the concept of this word "retirement" is somewhat new to me). She was super excited in her Millennial way to explain certain things to me, such as market cycles. As of July 2017, Kaitlin tells me, we are near or at the peak of a pretty successful seven to eight year swing in the markets. She tells me that next year, when the markets dip down, all that money I'll be investing will be able to buy so much more.

Bless her heart for its youthful optimism. I see a devaluation of all I've worked for, and she sees the next upswing. Let's hope it rubs off on me.

When the economy took a nosedive around 2007 it took a lot of us by surprise, to say the least. And as Kaitlin pointed out to me yesterday, we're never really sure of a market downturn until the market has already taken that turn. It's like when you're driving down the road and you don't realize you should be turning left until you see the street sign whiz by while you are still accelerating.

The cool thing about market cycles is that second word in the name—cycle. While the path and timing are always different, the cycle of ups and downs stay true. If the market is up, know it will come down. And vice versa. Expecting and preparing for the up or the down actually helps you get through that phase.

The Great Recession of 2007 brought retail back to Earth after years of being able to sell everything and anything with little effort. After the late '00s all of retail had to adjust to a new world order—and good thing, too, as it has made those who have survived smarter and stronger. We've adjusted inventory, made better product choices, adopted technology where possible and have gotten more sophisticated about marketing. Some of us have even made the choice to either pass the baton or close down—perfectly fine decisions in their own

right.

In general our industry has had a good run of it for the last few years. By all accounts (and especially Chris Beytes' weekly spring assessments), Spring 2017 has been superb. But to paraphrase Ned Stark, a downturn is coming.

I don't mean the ride is coming to an end next week or next month—or even next year. As Kaitlin astutely pointed out, we won't know we're in it until we've felt it squish under our shoe. But, it's coming. The market cycle says it is.

I read a poem years ago whose basic gist was to remember the summer sun shining on the leaves while in the depths of winter and the chill of icicles dangling from branches. That poem came to mind when Kaitlin and I had our talk. We can get carried away within the cycle, succumbing to its ups and downs. Or, we can observe the cycles of the market—or business or sports or emotions or even of life—from the outside with the aid of our past experiences. Observing from the outside allows us a valuable pause during which we can formulate a response rather than burst forth with a reaction.

Right now, it's the peak of summer. Go outside and enjoy. However, be still enough to feel that chill breeze across your skin. What do you need to do to prepare? After all, winter is coming. **GP**