Ursaphobia

Fear of the Bear

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What is the definition of Ursaphobia? Ursaphobia means the fear of bears.

The term "ursa" is Latin for bear. The definition of "phobia" is the fear of something. If you put them together you get the term Ursaphobia – The Fear of the Bear.

This is a very appropriate term for the great bear market of the 2008.

This special report includes strategies to bear-proof your portfolio. Feel free to forward this free special report to your friends, co-workers and family. This information contained in this one-of-kind report is invaluable during a bear market.

Introduction

Hi, my name is Andy LaPointe of Ursaphobia.com Thank you for taking your time to read this special report where I will show you some of the best know strategies you can use to bear-proof your portfolio in any bear market. I have been a financial advisor and Registered Investment Advisor for over 14 years. I am the author of a number of financial books including:

Money Smart Teens.com – Personal finance strategies for teenagers

Money Smart Seniors.com – Personal finance and income strategies for seniors/ baby boomers

Ursaphobia – How to Survive a Bear Market – Investment strategies to surviving a bear market

In addition, I also have a personal finance site at www.planningforretirement.com Planning for Retirement.com is website with personal finance strategies for everyone

I hope you'll enjoy my special report, Ursaphobia - 10 Steps to Surviving a Bear Market.

To your success,

Andy LaPointe

Andy LaPointe

PS, if you like this 7-day course, you may also enjoy the downloadable eBook entitled: Ursaphobia – How to Survive a Bear Market.

This one-of-a-kind, 115+ page eBook is packed with worksheets, charts and more to teach you everything they need to know about surviving a bear market and personal finance strategies. Visit www.ursaphobia.com to learn more.

PPS, You can get a free 7-day mini-course on successful personal finance strategies at any of the sites below:

Money Smart Teens.com – Personal finance strategies for teenagers

Money Smart Seniors.com – Personal finance and income strategies for seniors/ baby boomers

Planning for Retirement.com – Personal finance strategies for everyone else

Beat the Bear Market.com – Strategies to beat any bear market

Ursaphobia – How to Survive a Bear Market

I have written this special report as a 10 step action plan. It is written in such a way that you don't need to act upon the actions steps in this report all at once. With of the wild price swings in the market, the last thing you need is more "stuff" to do regarding your financial assets, but keeping track of your portfolio during a bear market is vital to your financial future. The reason is you need to know what you are invested in and exactly what you own. Many of beliefs held by investors of all experience levels have been shaken to the core in this bear market. The beliefs like buying-and-hold, buy on the dips and more.

Bear markets do test even expert investors, but believe me when I say those beliefs are still solid investment strategies. However, what has changed is the need to pay closer attention to our investments. Gone are the days that you can buy-and-forget or hire a broker to "manage" your money. Many on Wall Street and your local broker were taken by surprise by speed of the Great Bear market of 2008. It came so fast, that many financial professionals were still telling their clients to buy on the dips and invest for the long term.

I would like to share with you to following headlines:

The Dow Jones Industrial Average is down 175 points…

The Nasdaq is down 2 ½ %...

Oil prices are up $25 per gallon…

Employment rates highest level in 5 years…

Real estate values are declining…

Do those headlines sound familiar? Don't those headlines read like they were from the newspapers of last week? However, I forget to mention that these are from actual publications from the 1970's.

Yes, bear markets can be scary; bear markets can cause sleepless nights; bear markets can strain your budget; bear markets can put a strain on your personal relationships.

However, the best thing to keep on mind during a bear market is we have seen them before and we will see them again. Remember, everything that goes up must come down and visa verse. Basically, during a bear market, the stock markets are realigning and readjusting to the valuations after a bull market.

Bear markets can scare not only novice investors but veteran traders, too. What exactly is the definition of a bear market?

A bear market is defined a period of widespread pessimism and falling security prices. Both of these can contribute to negative sentiment and can be self-sustaining. As a rule of thumb, a decline of 20% or more in the broad market indexes is considered the beginning of bear market. The broad market indexes include the Standard and Poor's 500 (S&P 500), Dow Jones Industrial Average (DJIA), Nasdaq (NASD), etc. In addition, this decline must be over at least a 2 month period. However, one thing to keep in mind is a market correction is different than a bear market. A market correction is a short-term price decline, usually less than two months.

The Fast Bear of 2008

On October 10, 2008 the DJIA tumbled down over 20% not in a six or 9 month period, but in a single week! So we are in a bear market, but the thing to remember is bear markets, bull markets, booms and busts have always been with us.

One of the earliest bull markets and earliest crashes was "tulipmania" in Amsterdam the 1630's. During this time, well-educated investors and the general public alike were so excited in tulip bulbs that livestock, houses and even tracts of land were used to purchase them. Such value was placed upon these rare and valuable bulbs that all common sense was removed from the marketplace. Prices often doubled within days with no apparent end in sight. However, as the market ran its course, as all bull markets do, the tulips lost their value and soon "tulipmania" ended. This crash left behind countless investors holding portfolios of worthless tulip bulbs. Fortunately, the bull markets of today aren't in tulip bulbs, but this goes to show that fact the history in the financial markets do repeat themselves.

The stock market is a discounting mechanism. It is a forward looking device that doesn't always reflect the news of the day, but of that of the future. That is why many traders, investors and veterans of Wall Street can be heard repeating the famous saying "buy the rumor and sell the news". For example, on October 8, 2008 the Federal Reserve enacted and emergency rate cute with several other countries across the globe. However, instead of the market exploding to the upside with a 400 point positive close, the market closed horribly down for the day.

In fact, the futures when pointing down 3%+ prior to the rate cut and rebounded into positive territory but as I wrote above the market closed down. Why did this happen? The reasons the market didn't finish with a strong rally was the rate cut was already factored into the market. Some investors may be scratching their heads wondering why the market didn't finish up for the day. Again, the market is a discounting device. That is why you will see stock prices beginning to rise in a recession even while a host of bad corporate news, high unemployment, etc. is being reported. The market has already factored this news into the current prices and is already looking ahead one to two quarters to the future values or earnings of the underlying corporations.

Putting Everything in Perspective

U.S. stock markets and markets across the globe experience bear markets. For example, since 1950's the S&P 500 has experience eight bear markets. The average length of a bear market is 34 months and the market falls by an average of just over 33% Compared to the average bull market, the average bear market is shorter and falls less than the average bull market has risen. The average length of time for a bull market is just over 5 years, the average gain of just under 75%.

But you should keep in mind that those numbers are quoting the averages over 50 years. Also, averages don't help much when your portfolio is stuck right in the middle of 400 point daily drop of the DJIA with no end in sight.

If you review stock market history, you can easily spot the bear market and bull markets. The major bear markets were 1929, 1973-1974 and 2000. Most recently, the markets of 2007-2008 are looking very bearing. While the major bull markets were 1921-29, 1950-1966 and 1982-2000.

But rather than focusing on the past with a bunch of number, facts, charts and quotes, let's focus on the present and the future. However, before we go any further I strongly encourage you to become a student of the market. This doesn't mean studying your Series 7 stockbroker license or getting your Registered Investment Advisor (RIA) designation. But it does mean reading the current newspapers, studying basic stock market concepts, reading classic investment-related books including *Reminiscence of a Stock Operator* by Edwin Lefevre.

The market conditions of 2007-2008 may affect several components of your portfolio. These include your investment portfolio, the value of your real estate portfolio and your access to credit. However, we have had credit crunches before with some dating all the way back to the 1900's.

Real estate values have also fluctuated in the past and will continue to do so for the remainder of human history. History repeats itself always will, but what makes this time different is that it is happening in your life time. It is affect your income, your portfolio and maybe even your livelihood. It is something that is real and not a memory from your youth or a story in some stock history book. It is affecting all of us today!

Below is a 10-point list to help you survive the current bear market. If you like what you read, consider getting the 115+ page book entitled – Ursaphobia – How to Survive a Bear Market at www.beatthebearmarket.com.com

What to Do Now #1 – Have a Realistic Mindset

The first thing to do during a bear market is to have a realistic mindset. Don't worry what newspapers are printing or what the television anchors are saying on the 6:00pm news. Remember, the media is in the business to sell newspapers and get nightly viewers.

In fact, a wise man once told me what he did during the 1973-1974 bear market. He said he was so worried about his stock portfolio that had only slept 2-3 hours per night for several weeks. This lack of sleep was affecting his health, his marriage and his day job.

After a heated argument regarding their investments with his wife, he said he went for a drive. During his drive he was listening to the news on the radio. The newscaster was talking about the bad economy and the stock market. He said he reached over to turn up the volume on the radio, but the radio knob fell off. Since he couldn't hear the news he turned off the radio. He said he drove for another ½ hour before returning home.

When he drove into his driveway he said he felt a feeling of peace and calm come over his entire mind and body. After he made up with his wife, he told her about radio experience and the peace he felt. After listening to his story, his wife suggested he stop listening to the radio, reading the newspaper or watching the nightly news for a week and see how he felt.

After a few days he felt great. He said he wasn't stressed out anymore and this experience taught him how to manager stress for the rest of his life. So when the market goes down, (and it will) he says he keeps in contact with his stockbroker a few times a week and doesn't watch television or read the financial newspapers as closely as he did in the past.

So rather than focus on a bunch of numbers, charts and quotes, why not focus on the present and the future.

What to Do Now #2 – Consider Your Time Horizon

The second thing to do is review your portfolio and consider your time horizon. A 25-year old investor should react differently to market movements than a 65-year old investor. Due to a shortened time-period, an older worker or retiree may view a downturn or bear market down market more threatening than a 45-year old investor with a 20+ year time horizon.

Now is a good time to review and update your investment goals and strategies. Sit down with your spouse and investment advisor and review your entire portfolio, your investment plan and your future financial requirements.

What to Do Now #3 – Play Dead!

What is the best thing to do when a grizzly bear is chasing you? That's right, play dead! In a bear market, that is also wise advice. Remember to stay calm, remember your investment goals. Now is a good time to review and update your investment goals and strategies. Sit down with your spouse and investment advisor and review your entire portfolio, your investment plan and your future financial requirements.

Playing dead means just staying put. If you have cash on the sideline, leave it there. Don't buy, don't sell. In fact, why not take a walk on the beach or through the walks a few hours a day. I don't mean to be short or unrealistic about this, but if you aren't watching the market, you can't get stressed out. If you aren't watching the market, you won't make a spontaneous buy or sell. In addition, by having cash on the sidelines you will be earning interest and may be able to pick up some great stocks at bargain prices.

What to Do Now #4 – Consider Adding Dividend Paying Stocks to Your Portfolio

Dividend paying stocks may be a good addition to your portfolio. The dividends not only help to offset any decline in underlying stock price, they can provide a good source of income and some peace of mind in a declining market. However, with the economy the way it is, some companies with a long history of paying dividends are not only slashing those dividends to preserve capital, but even completely eliminating them.

Make sure you do in-depth research into any dividend paying stocks prior to investing.

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What to Do Now #5 – Consider Averaging Down

If you believe the bear market is at or near bottom, you may consider averaging down into the stocks of the companies you currently own. Here are two benefits of averaging down your position of the your underlying positions:

#1: A lower cost basis. This means you are closer to break even.

#2: The number of share you own will increase. For example if you own 1000 of XYZ stock at $20 per share. Your portfolio is worth $20,000. If the price of XYZ is currently $12.50 per share and you have $20,000 in cash and you believe in the future of the company, consider averaging down with an additional $10,000. Here is what the example portfolio would look like:

1000 shares @ $20 = $20,000

800 shares @ 12.50 = $10,000 additional investment

Total portfolio value $30,000. Average cost per share is $16.66 per share. This is down from an average cost of $20 per share.

However, averaging down is not always to first thing to do in a downturn, consult your financial advisor regarding this investment concept.

What to Do Now #6 – Consider Non-Cyclical Stocks, Consumer stocks and Beaten-Downed Companies

Consumer companies produce products like toothpaste, food, clothing and more. No matter what to economy does, people still need to eat, drink and sleep. Thus, they are less cyclical than high tech and other types of companies and products. That is why well know investors like Warren Buffett and Peter Lynch have said some of the best investments to own are the very companies that you buy products from. In addition, consider utility stocks that pay a dividend and are stable companies that provide electricity, phone service and the like. Many investment professionals refer to these type of stocks as “widow and orphan” stock. This means these stocks are usually safe for both income and gain capital. In addition, they can provide a cornerstone to your portfolio in a bear market.

You may also consider investing into beaten up, battered down stocks of good companies. Remember, a bear market doesn't leave many survives. It doesn't matter what the balance sheet is or the profitability of a company is being report, a bear market usually spares no company. The stock price of good companies also get hammered along with poor companies. Take this opportunity to build up a position in market leading companies with strong product lines, profitability and market share.

What to Do Now #7 – Review Your Portfolio Once a Month

We have always heard the saying "knowledge is power". This is especially true in a bear market. You must have an up-to-date understanding of the market. Just as in a bull market, events can greatly influence the entire market. For example, an increase the income tax rate may be beginning of the end for a bull market. However, just like an ocean liner can't turn on a dime, neither does the stock market. Always be on the lookout for any major changes that may affect the markets.

Some of the major factors that may affect both a bull and bear market include: a change in income tax rate, a change in Fed funds rates, a change in any major government spending program, etc. So not only do you need to stay atop these major changes, but you must understand how they affect your portfolio. The best way to do this is to review your portfolio at least once a month. I know I may be painful to see the value of your portfolio decline month after month, but you need to understand what is going on. Make an appointment with your broker every month for at least an hour to go over your entire portfolio. Here are some questions to ask your broker during these meetings:

- How is my portfolio currently allocated?
- Why is my portfolio allocated in this manner?
- What changes should I make to take advantage of current opportunities?
- Should I invest the ideal cash in my portfolio?
- What will be the commission charge if I decide to liquidate a portion of my portfolio?
- What is the back-end sales charge on my mutual funds if I sell?

The last thing you want to do during a bear market is not watch your portfolio closely. The reason is some of the best investments of the last decade has experienced terrible loses in the decade. What do the following companies have in common Bear Stearns, Lehman Brothers, Fannie Mae, Freddie Mac and Washington Mutual? They are not the companies they were just few years ago. Nobody would have thought the events of those companies could have happened so fast. That is why you need to stay atop your portfolio and have a solid understanding of your investments. Even if you own mutual funds, you still need to sit down with your broker at least once a month during a bear market. If your broker refuses or gives you a hard time about month portfolio reviews, move your account to a broker who will spend this time with you.

What to Do Now #8 – Learn to Get By on Less

A bear market is an ideal time to aggressively review your household budget and reduce your consumption. Consider cooking more meals at home, car pooling to work and reducing your cable television package from 750 channels to 35 channels. Take this opportunity clean out all of the clutter at home and work. Clean out your basement, garage and office desk. Reducing the clutter at home and work will help to reduce additional stress you may be feeling due to wild swings in the market. Once you clean everything out, consider making a little money by having a garage sale or by giving all of this extra stuff away to a non-profit organization for a tax write off.

If you currently don't follow a household budget, now is a great time to create one. A household budget will give you control over your money. Although you may not be able to control the stock market, you can control your spending and household budget will help you to reduce some of your stress.

What to Do Now #9 – Consider Bear Market Funds

Thanks to the many innovative products created over the past several years, you can purchase investments that actually increase in value when the stock market declines. These are called bear market funds or inverse investments.

Inverse investments are an excellent defensive play for your portfolio. They help to mitigate the market risk related to your long positions. These types of investment should be used as a part of your portfolio and not at short term trading vehicles.

In to inverse funds, you may also consider leveraged bear funds. These are inverse funds that are designed to go up twice as much as a decline in the marketing.

What to Do Now #9 – Consider Bear Market Funds

Thanks to the many innovative products created over the past several years, you can purchase investments that actually increase in value when the stock market declines. These are called bear market funds or inverse investments. These are not meant for short term trading vehicles, but for hedging your portfolio against market risk.

What to Do Now #10 – Consider Portfolio Insurance

Put options are an excellent way to protect your portfolio against adverse moves in the markets. An option contract gives you the right, but not the obligation, to sell a specific quantity of the underlying security at a specified price with a specified time period. Each option contract is 100 shares of the underlying stock or security.

As the underlying security decreases in price, the value of the put option contract increases. For example if you own 100 share of XYZ stock in your portfolio and XYZ is being dragged down in the bear market you may consider purchasing a put option. Here is how it works:

Today's date is October 9, 2008

- You own 100 XYZ shares price at a cost basis of $25. ($2,500)
- The current price of XYZ is also $25 and you believe it will decline in value. You can purchase a put option.
- The price for the December 25 put option is .15 per. So the cost to purchase bear insurance on your 100 share is $25.
- The price of XYZ declines to $20. The value of your XYZ holdings is $2,000. However the value of the option increased from .25 per share of the option contract to $5 per share. So now the option contact is worth $500. This offset the price decline in your XYZ share. That is why they call put options bear market insurance.

What's Next?

Sign up for my FREE 7 day mini-course where I will show you exactly how to teach your teenager the concepts of money. In addition, I offer additional 7 day mini courses on successful personal finance strategies for any age by visiting the appropriate website below:

Money Smart Teens.com – Personal finance strategies for teenagers

Money Smart Seniors.com – Personal finance strategies for seniors/ baby boomers

Planning for Retirement.com – Personal finance strategies for everyone else

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