

## The Next Bear Market

During the next bear market...

...someone will become a hero. A pundit, portfolio manager or resident doomsayer will "call" the crash and nail the timing. It will be mostly luck but will likely lead to a number of TV appearances, speaking gigs, and maybe a book deal or two.

...your favorite pundit won't be able to save you from making irrational decisions.

...there will be bargains in the market but it will never feel like the right time to pull the trigger and buy.

...it will feel like the selling is never going to come to an end.

...you'll be kicking yourself for not holding more cash or bonds.

...some asset class or strategy will perform really well and many investors will pile into those funds (after the fact, of course).

...everyone will start paying attention to the markets again.

...no one will be able to tell you whether it will be a short downturn with a quick snapback rally or a long drawn-out process that turns painful.

...investors will make short-term decisions with long-term capital at stake.

...financial advisors will use the Mike Tyson "everyone has a plan until they get punched in the face" line on multiple occasions.

...money managers will be obsessively quoting Warren Buffett in their quarterly letters.

...you'll trick yourself into believing you should have seen the downdraft coming.

...people will start researching black swan funds.

...you'll be convinced that a 20% loss will turn into a 30% loss, a 30% loss will turn into a 40% loss and a 40% loss will turn into the Great Depression.

...investors will feel dumber than they really are (just as right now we feel smarter than we really are in a bull market).

...people won't need investment advice -- they'll need a psychologist.

...some people will definitely panic.

One of my favorite things about the markets is how confident most investors are (and without this confidence it's likely the markets wouldn't function as well as they do). There is near universal agreement that many investors will freak out during the next downturn in stocks yet no one assumes they will be part of this group that panics.

*Surely, everyone else will become hysterical when stocks get crushed but I'll stay level-headed and make all the right moves.*

The problem is there have to be losers in the markets for there to be winners. Someone has to capitulate and sell at the bottom of the bear market for someone else to take advantage and buy when there's blood in the streets.

Everyone wants to be greedy when others are fearful but many investors are simply fearful when others are fearful.

I've been writing about stock losses and bear markets for years now (see [here](#), [here](#), [here](#), [here](#), [here](#), [here](#), [here](#), [here](#), [here](#), [here](#)...and [here](#) for starters).

Writing about this topic is a constant reminder to my future self that, yes, stocks do go down and it won't feel so great when it happens.

Understanding that drawdowns are a fact of life in the stock market is helpful for setting realistic expectations as an investor but statistics don't matter when stocks are falling. I could show you every chart, table, and datapoint in the history of the stock market to help ease your pain but it won't matter once your emotions take over.

The only thing that matters is how you choose to react as an investor and what your plan of attack is going into a disaster.

I have no idea when the current bull market will end and the next bear market will begin. I wouldn't be shocked if it started this week or if the current rally extended another 4-5 years. Anything is possible in the markets.

Regardless of when it happens, it's intelligent behavior for investors to plan ahead to know what they'll do when it does. If you can't get comfortable with accepting losses you shouldn't be in the stock market to begin with.

Further Reading:

### [180 Years of Market Drawdowns](#)

Now here's what I've been reading this week:

- What's your uncertainty/humility score? ([Morningstar](#))
- A reality check on stock market anomalies ([WSJ](#))
- Why disagreement is healthy ([NY Times](#))
- The constant reminder ([Of Dollars and Data](#))
- Never do that again ([Collaborative Fund](#))
- The benefits of incremental change ([Bason](#))
- Photos ([TRB](#)) and recap of our conference last week ([Peter Lazaroff](#))
- Why you should always carry a notebook ([The Mission](#))