HERITAGE LAKE
ADVISORS
& PARTNERS

A HERITAGE LAKE PERSPECTIVE

Stay in the Boat

What a century of market storms says about selling everything and going to cash.



Personalized strategies designed to preserve and grow your wealth.

HeritageLakeAdvisors.com

THE SHORT VERSION

Five things to know before you jump

1 **A fall like this is normal.** PAGE 3

In the average year since 1980 the market has dropped 14% at some point. It still finished higher in 35 of those 46 years.

2 **Every storm so far has passed.** PAGE 4

Seven of them fill page 4. Each one gave way to a new high, five within about two years.

3 **Those who jumped fell behind.** PAGE 5

Savers who left stocks during the 2008 crisis and stayed out had gained 2% by mid-2011. Those who never left may have gained around 50%.

4 **The clearing normally comes right behind the squall.** PAGE 6

Six of the ten best days from 2006 through 2025 came within two weeks of one of the ten worst.

5 **Cash has a cost of its own.** PAGE 9

At late-2026 rates an average savings account loses about 3% of its buying power every year.

Before you sell, call us.

Fifteen minutes is enough to check whether the next few years of your spending are already out of the storm.

607-366-2140 · HERITAGELAKEADVISORS.COM

01 · THE STORM

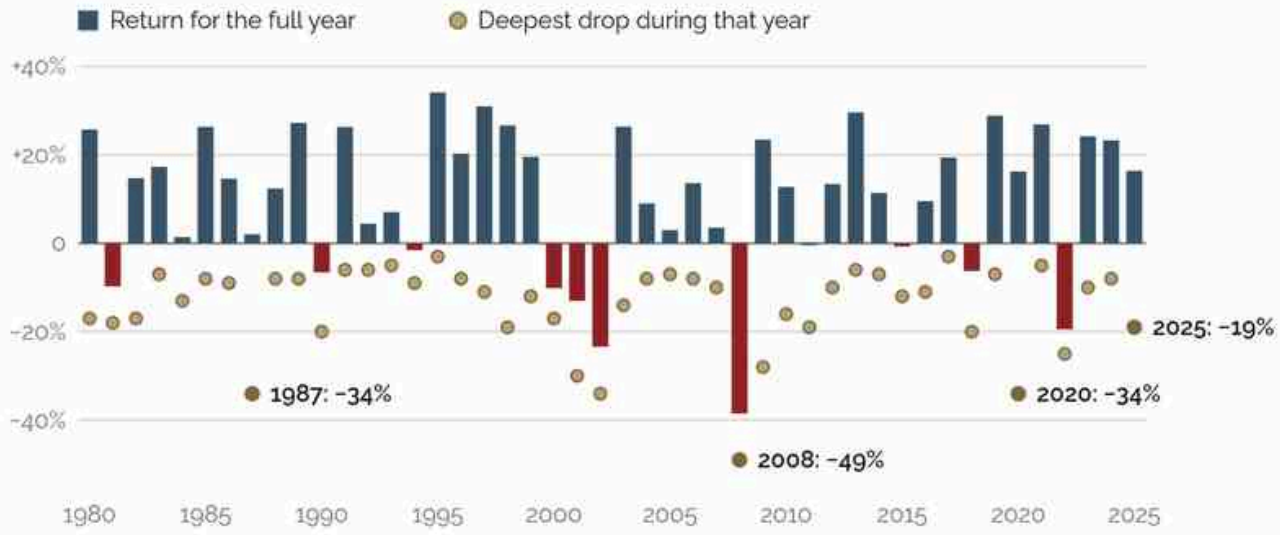
Rough water is part of every crossing

Every few years the market falls fast enough to lead the evening news. When the water turns that quickly, the instinct is to get off the lake. It helps to know how often this happens, and what has followed.

14.2% the average fall from high to low inside a single year, 1980 to 2025

35 of 46 of those years still finished with a gain

S&P 500: each year's return, and how far it fell along the way



Bars: calendar-year price return. Dots: largest decline within the year. Source: J.P. Morgan Asset Management, Guide to the Markets (U.S.), September 30, 2026; Standard & Poor's.



WHITECAPS AND DEEP WATER

On a windy day the surface is all whitecaps. Forty feet down, the water has barely moved. This week's prices are the surface. Money you will not spend for ten years sits deep.

02 · THE RECORD

Every storm felt like the one that would sink the boat

Each of these arrived with its own headline and its own reason why this time was different. The line below is the same index the whole way across.

S&P 500 price index, 1980 through 2025, log scale, with seven storms numbered



16 times, from 1980 through 2025, the market fell 10% or more from a record high. It came back to a new high all 16 times. Seven you will remember are below. The other nine were all back at new highs within two years.

	Storm	Fall	Time to regain the old high
1	Black Monday crash, 1987	−34%	23 months
2	Gulf War and recession, 1990	−20%	7 months
3	Dot-com bust and 9/11, 2000 to 2002	−49%	7 years, 2 months
4	Financial crisis, 2007 to 2009	−57%	5 years, 6 months
5	Pandemic, 2020	−34%	6 months
6	Inflation and rate shock, 2022	−25%	2 years
7	Tariff shock, 2025	−19%	4 months

Five of these seven were back at their old highs in about two years or less. Two took more than five years. That gap is why we plan your income before we invest your portfolio.

Sources: S&P 500 daily closing levels (S&P Dow Jones Indices); Ned Davis Research via Hartford Funds for bear market dates and declines. Recovery runs from the prior peak to the first close above it.

03 · THE EVIDENCE

What happened to the people who jumped overboard

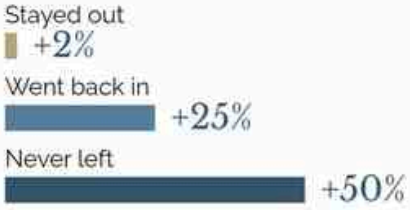


We do not have to guess. Three studies followed real investors who sold everything in a storm.

Leaving the boat is one decision. Climbing back in from cold water is a second, harder one.

2008 TO 2009

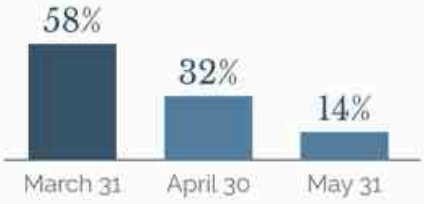
Those who stayed out barely moved



About 117,000 Fidelity 401(k) savers left stocks entirely during the crisis. Those still out in mid-2011 had gained 2%. Those who went back in, 25%. Those who never left, 50%.

2020

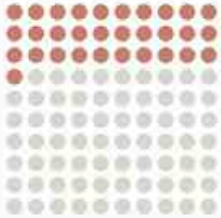
It looked smart at first



About 32,000 Vanguard investors moved fully to cash. Among the retail investors in that group, 58% were ahead of staying put on March 31. By May 31, 14% were.

2003 TO 2015

Nearly a third never came back



31

of every 100 did not return

MIT researchers tracked 298,556 brokerage households. Of those who sold in a panic, 30.9% had not returned to stocks or other risky assets by the end of 2015.

Sources: Fidelity Investments, second-quarter 2011 review of 7.1 million 401(k) accounts. Vanguard, Cash panickers: Coronavirus market volatility, July 2020, monthly shares as reported by Financial Advisor magazine. Elkind, Kaminski, Lo, Siah and Wong, When Do Investors Freak Out?, Journal of Financial Data Science, 2022. Study windows: page 11.



04 · THE TIMING PROBLEM

The clearing comes right behind the squall

6 of 10 of the market's best days from 2006 through 2025 came within two weeks of one of its ten worst. Sell, and you are on shore when they arrive.

Spring 2025: the squall and the clearing, in S&P 500 closing levels



When the 50 best days of 1996 to 2025 happened



- 48% During a bear market
- 28% First two months of a new bull
- 24% Rest of the bull market

$10,000 in the S&P 500, 2006 through 2025



A fair caution: nobody misses only the best days, and the same arithmetic would flatter anyone who missed only the worst. The lesson is that the two arrive together, so stepping out to avoid one usually means missing the other.

Sources: J.P. Morgan Asset Management, Guide to Retirement 2026 (S&P 500 Total Return Index, data as of December 31, 2025). Hartford Funds with Ned Davis Research and Morningstar, March 2026. S&P 500 daily closing levels.



A THOUGHT EXPERIMENT

If your lake house had a ticker

Imagine a screen on the dock quoting a price for your lake house every second of every weekday. In a rough week it might flash down 9%.

You would not sell it that Friday afternoon. Nothing about the house changed. Only the number on the screen did.

Your portfolio is the one thing you own that comes with that screen attached.

05 · THE LONG VIEW

Even the worst timing beat waiting on shore

Schwab tested five imaginary investors. Each received $2,000 at the start of every year from 2005 through 2024. One bought on the best day each year, one on the worst, and one never left cash.

What each investor had after 20 years



Dashed line: the $40,000 each investor put in

$15,522

what twenty years of perfect timing added over simply investing on the first day

$123,198

what twenty years of waiting in cash cost against that same first-day investor

Across 80 such periods back to 1926, the order held in 70.

1900 THROUGH 2025, IN DOLLARS

What $1 placed in 1900 had become

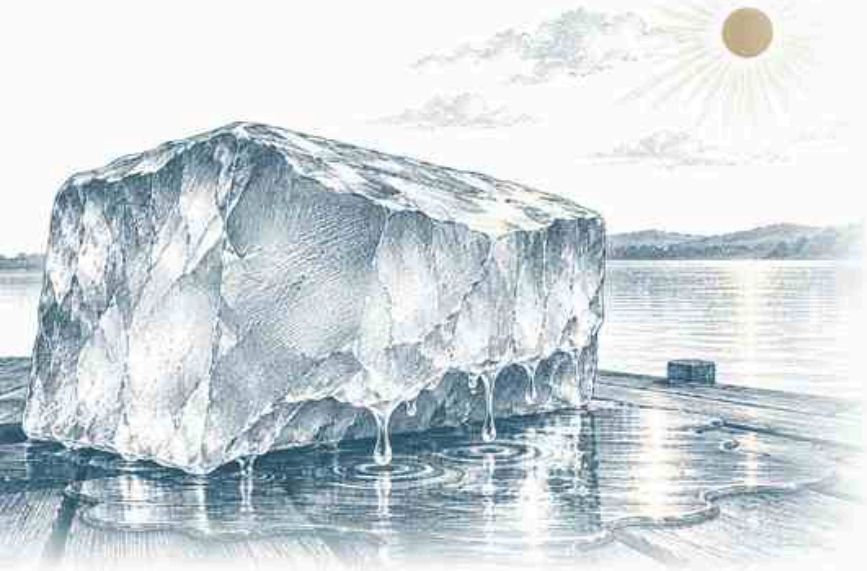
U.S. stocks	$124,854
Government bonds	$284
Treasury bills (cash)	$69
Consumer prices	$38

THE SAME DOLLAR, AFTER INFLATION

What $1 of 1900 buying power had become

U.S. stocks 6.6% a year above inflation	$3,296
Government bonds 1.6% a year above inflation	$7.50
Treasury bills (cash) 0.5% a year above inflation	$1.80

Sources: Schwab Center for Financial Research, Does Market Timing Work?, July 2025 (S&P 500 Index; cash is the Ibbotson U.S. 30-day Treasury Bill Index; excludes taxes, fees and expenses). UBS Global Investment Returns Yearbook 2026, Figure 12 (United States, before taxes and costs). Bond and bill values after inflation are calculated from the Yearbook's index levels. The example provided is hypothetical and is provided for informational purposes only. It is not intended to represent any specific investment, nor is it indicative of future results.



06 · THE COST OF CASH

Cash is ice on the dock

Before refrigeration, crews cut ice from Cayuga Lake and its neighbors each winter and packed it in sawdust for summer. Even a well-built icehouse gave back less than went in.

What $100,000 in an average savings account would still buy, at November 2026 rates

TODAY	IN 5 YEARS	IN 10 YEARS	IN 20 YEARS
$100,000	$85,000	$72,300	$52,300

Illustration only. Assumes the national average savings rate (0.39%) and the latest 12-month inflation rate (3.7%) both hold. Neither will hold exactly. Figures rounded.

What safe money pays, November 2026



Selling has a toll of its own: an example



A $1,000,000 taxable account

$60,000 to $95,200

federal tax if it is all sold

15% to 23.8% of the gain, by income

The Treasury yield clears inflation before tax. At a 22% federal rate it nets about 3.4%, and since 1900 Treasury bills have beaten inflation by only 0.5% a year (page 8). Cash has a real job: covering the spending you have planned for the next few years. Past that, it loses ground quietly.

Bank deposits are insured by the FDIC up to applicable limits and do not fluctuate in price. Investments are not insured and can lose value. Tax example: a taxable account holding long-term gains, at the 15% federal rate and at 20% plus the 3.8% net investment income tax; state tax is extra; retirement accounts are taxed differently. Not tax advice. Sources: FDIC National Rates and Rate Caps, November 2026; Federal Reserve H.15, 3-month Treasury constant maturity, November 19, 2026; U.S. Bureau of Labor Statistics, CPI-U, 12 months through September 2026; IRS Topics 409 and 559. The example provided is hypothetical and is provided for informational purposes only. It is not intended to represent any specific investment, nor is it indicative of future results.

07 · A BETTER ANSWER

You do not need calm water. You need a harbor.

The choice is rarely all in or all out. A plan decides ahead of time which dollars ride out the storm and which never leave the harbor.



In the harbor

The next 1 to 3 years of spending

Cash reserves

Near shore

Years 3 to 10

Bonds and balanced holdings

Open water

Ten years and beyond

Stocks, for long-run growth

The harbor in dollars: an example

$120,000 yearly spending − $50,000 Social Security and pension = $70,000 the yearly gap × 3 years of storm cover = $210,000 in the harbor

These charts show an all-stock index because that is what the headlines quote. A portfolio built around a plan usually holds less in stocks than that, on purpose. A smoother ride keeps people aboard: over the ten years through 2025, investors in the most volatile fifth of funds earned about 2.1 percentage points a year less than the funds themselves. In the steadiest fifth, the shortfall was 0.4.

A simplified illustration with hypothetical figures, not a recommendation. The mix that fits you depends on your income, spending and tolerance for risk. The one-to-three-year reserve, sized to the gap between income and spending, follows J.P. Morgan Asset Management, Guide to Retirement 2026. Investor returns: Morningstar, Mind the Gap 2026 (most and least volatile fifths of U.S. funds, ten years ended December 31, 2025). Morningstar attributes the gap to the timing and size of purchases and sales. The example provided is hypothetical and is provided for informational purposes only. It is not intended to represent any specific investment, nor is it indicative of future results.

08 · THE FINE PRINT

What history can and cannot promise

History is a record, not a guarantee. The S&P 500 took seven years to regain its 2000 high. Japan's Nikkei 225 took 34 years to regain its 1989 high.

Selling has sometimes helped. The MIT study found that investors who left early in the 2008 crisis avoided further losses. The cost came later, for those who stayed out.

Averages are not people. No index can be bought directly, and no study of thousands of accounts can say what yours will do. That is why our answer is a plan built around your spending, not a forecast.

SOURCES. DATA AS OF NOVEMBER 2026 UNLESS NOTED

Index levels, declines and recoveries: S&P 500 daily closing levels (S&P Dow Jones Indices); Ned Davis Research via Hartford Funds, 10 Things You Should Know About Bear Markets (2025). The count of 16 declines covers falls of 10% or more from a record closing high that began between 1980 and 2025. Yearly returns and declines: J.P. Morgan Asset Management, Guide to the Markets (U.S.), data as of September 30, 2026. Investor behavior: Fidelity Investments, second-quarter 2011 review of 401(k) accounts (moves to 0% equity between October 1, 2008 and March 31, 2009; balances through June 30, 2011); Vanguard, Cash panickers: Coronavirus market volatility, July 2020 (moves to cash between February 19 and May 31, 2020); Elkind, Kaminski, Lo, Siah and Wong, 'When Do Investors Freak Out?', Journal of Financial Data Science 4(1), 2022; Morningstar, Mind the Gap 2026. Best days: J.P. Morgan Asset Management, Guide to Retirement 2026; Hartford Funds, Timing the Market Is Impossible (March 2026); AQR, So What If You Miss the Market's N Best Days? (June 2025). Timing study: Schwab Center for Financial Research, Does Market Timing Work? (July 2025). Long-run returns: UBS Global Investment Returns Yearbook 2026. Rates and inflation: FDIC; Federal Reserve; U.S. Bureau of Labor Statistics. Tax rates: Internal Revenue Service, Topics 409 and 559. Nikkei 225: Nikkei Inc. Ice harvesting: New York State Office of Parks, Recreation and Historic Preservation (2021); The Auburn Citizen (1918). Quotation: John C. Bogle, rules for investors, Common Sense on Mutual Funds (1999) and Financial Analysts Journal (2017).

IMPORTANT INFORMATION

This material is for general information and education. It is not individualized investment advice, a recommendation, or an offer to buy or sell any security, and it does not take your objectives, financial situation or needs into account. Investing involves risk, including the possible loss of principal. Diversification and asset allocation do not ensure a profit or protect against loss. Past performance is not indicative of future results. The S&P 500 is an unmanaged weighted index of common stocks. An investment cannot be made directly in an index. Index returns do not reflect fees, expenses or taxes. Hypothetical illustrations are not actual results and rest on assumptions that will not hold exactly. This content was created with the assistance of artificial intelligence (AI). Bank deposits are insured by the FDIC up to applicable limits and offer a fixed return of principal; securities are not insured and will fluctuate in value. Neither Heritage Lake Advisors nor &Partners renders legal or tax advice. Please consult your tax or legal advisors before taking any action that may have tax consequences. Securities and investment advisory services offered through &Partners, LLC, a broker-dealer and investment adviser registered with the U.S. Securities and Exchange Commission and member FINRA, SIPC.

Heritage Lake Advisors &Partners · 607-366-2140 · HeritageLakeAdvisors.com



"Time is your friend. Impulse is your enemy."

JOHN C. BOGLE, FOUNDER OF VANGUARD

Before you sell, call us.

Four questions we will work through together:

- Do we have the next few years of your spending set aside outside the stock market?
- Is your portfolio's risk level one you can live with during its worst week?
- If we lower your risk, have we agreed on what would bring it back up?
- Has anything about your goals changed, or only the price?

HERITAGE LAKE ADVISORS & PARTNERS

607-366-2140
info@heritagelakeadvisors.com
HeritageLakeAdvisors.com