Tom: In this video we're going to talk about how bear markets are different for everybody. It's like personal pizza. Everybody gets their own toppings.

Welcome to the Mullooly Asset Show. I'm your host Tom Mullooly and this is Episode Number 20, the Tommy Agee episode. Tommy Agee, there were others that were Number 20 for the Mets. He made a couple of great, great catches in the '69 World Series so a lot of people remember Tommy Agee. Right after this, we're going to do his buddy growing up in Alabama, Number 21. That's going to be Cleon Jones.

The format for this episode, by now if you've watched, you know the drill. We get questions from you, from our clients, and our subscribers, and folks out there who want to know about managing money, and financial planning, and money management, and we try our best to answer them. Casey is going to read us the questions and we'll give our best. Casey, what's on top for number 1?

Casey: How is it decided that down 20% defines a bear market?

Tom: I think it's, I don't think it's right that we draw a line in the sand and say exactly 20% is a bear market. I just think that's an arbitrary number that was picked out of the sky. I mean think about it. If you go back to 1987, the Dow Jones dropped 22% one day. I know, I was there, so 22% in a day can't happen now because of all the circuit breakers that are in place. It was hard to get people to think about investing after the market lost 22% in one day.

I mean if that were to happen today, you'd be talking about a drop of over 3,000 points. That's a lot. If you look at the charts now in 2016 going back to 1987, that 22% drop in one day, it's barely a squiggle. You can't even see it. Of course, time has a lot to do with it, but the wounds were still fresh in everybody's minds in 1988, 1989, 1990 so that when the market pulled back 10% in 1989, it did it when the United Airlines leveraged buyout deal fell apart. Everybody thought it was going to be 1987 again.

Then in 1990 when Saddam Hussein invaded Kuwait it happened again, so how do we know that bear markets are bear markets? Like what I said to a client the other day, bear markets are different for everybody. It's almost like you could have your own personal bear market. If you're an active trader and the market goes down 6 or 7%, that's a bear market for you. On the other hand, if you're super long term and you're young and have many years ahead of you, a market down 20% isn't necessarily a bear market. That may be a great buying opportunity.

Everybody needs to have their own perspective and not just buy what the media is telling you is a bear market. I think a bear market means different things for different people. Just think back to 2008 and how that market fell apart. Again, the wounds were still fresh in everybody's minds so when the market pulled back in 2011, everybody thought it was the beginning of the end again. It didn't really work out that way.

Just follow me here. In 2011, this is where this arbitrary 20% number just ... It's been driving me crazy now for almost five years. The market went down in 2011. The Dow Jones went down 19.8%. There's a lot of people that follow the markets that say we only go by the closing prices. The closing price on the day it made its high versus the closing price in October 2011, the drop was 19.8%, not a bear market.

Ask a lot of individual investors. It sure felt like a bear market. I also know that if you use intraday highs and lows, the market actually went down 21%, so what are we talking about here? Why does it have to be exactly 20%? Who drew that line in the sand? Your definition of a bear market can be very, very different from the next guy in line, so don't feel like someone's telling you it's not a bear market, it is. It's going to be different for every single person that's out there.

The other thing that you need to keep in mind is that, well let's see. The bear market in 1987, one day, one day it went down 22%. In 2011, it was about four months that it went down. How long do bear markets last? Until they don't anymore, that's really the answer. It's hard to say that when we fall down 20% that this is going to happen, or that's going to happen, or this is. There's just not enough data even going back over 100 years of the Dow Jones to tell you exactly what the pattern is, or what's going to happen in bear markets. That should be a clue for you.

Every single one of these has been unpredictable and a little different than the one before. One thing that we have notice though over time is that long term bear markets, and we're talking about not one day 1987 style, but we're talking ones that last eight months, nine months, two years, these kinds of bear markets. They tend to begin and end in the same place. Think about that. You could go through a bear market for two years and find that the beginning and the end are the same spot. In the meantime, you went through some real peaks and valleys.

Incidentally, some of the most volatile days, both up and down, happen in bear markets. Now it's just my observation just looking at things, but if you look at the S&P 500 over the last year and one-half, the market hasn't really gone anywhere. While the market has been very sloppy for the last almost six months going back to last summer, really when you start stacking up what has the market actually done; we're now more than a year into a period of time where the market hasn't done anything.

Another great question about investing that I think a lot of folks kind of missed the boat. They hear oh, bear market. We shouldn't be doing anything, or bear market; we should be heading for the hills. Bear markets depending on your scenario can be great opportunities to put money to work, or it may be a warning just to hang in there. Everybody's different.

Don't just go on what the media is telling you. You've got to look at your own situation, your own personal pizza. Okay, that's all we've got for today. Don't forget Episode 21 we're going to talk about Cleon Jones and Lucas Duda also another Met who wore 21 and we will see you then.