

CASE IN POINT

Sales Tax Estate Planning Underwriting & Product Newsletter

Staying Invested in the Market



A common piece of advice for investors is that long term success doesn't hinge on timing the market. It's time in the market that may make the bigger difference. Most investors aren't professionals. Accredited investment specialists devote their education, training, time and resources to studying the markets and individual companies. Yet all professional fund managers will miss the ups and downs in the market from time to time. It stands to reason that individual investors who try to pick the best time to get into the market or get out of it will likely be more prone to "missed timing".

Financial advisors frequently tout the benefits of a buy and hold strategy combined with dollar cost averaging. Specifically, they advocate investing in the market on a regular basis and sticking with investments and a strategy over an extended period of time.

Let's look at an example of a buy and hold strategy where individuals stay invested in the market for various periods of time.

Four friends start an informal investment club: James, Stacey, Jazmine and Vini. Each commit to investing \$10,000. They pick the same investment, the S&P/TSX Total Return Index. They each make separate choices to invest, get out of the market for a while and reinvest during a 10 year period starting in January, 2007 and ending in December, 2016. Each person that gets out of the market for a period of time puts their money into 3 month T-Bills. Each person that gets out of the market happens to miss the best months' performance. Then they compare results.

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Peter works with independent advisors and other professionals raising awareness on issues and concerns faced by affluent individuals, professionals and business owners. He supports efforts in researching and developing optimal solutions for clients aimed at improving their financial well-being and supporting their personal wishes and lifestyles. He annually provides 100's of workshops, seminars and technical support throughout the country on tax, retirement income and estate planning issues, concepts and strategies to both advisors and consumers. As a Registered Financial Gerontologist, a good deal of his time is spent on building awareness and educating people of all professions who work with or specialize in the needs, expectations and issues of elders. Comprehensive lifestyle planning is an important element of these processes.

The Sales, Tax, Estate Planning, Underwriting & Product (STEPUP) team provides internal and broker support, including seminars, education, advanced concept illustrations & Client case technical consultations.

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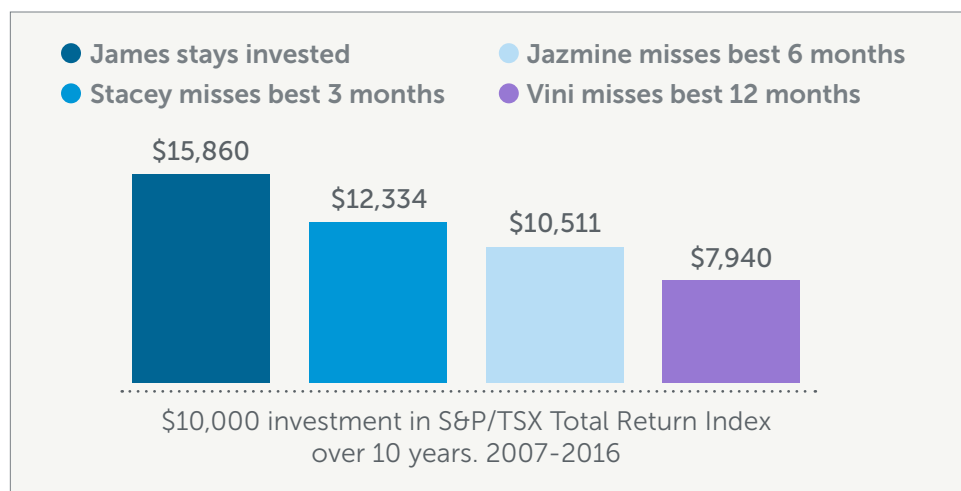


Illustration only, not intended to project future performance of any particular investment.

This example shows the dramatic effect of missing even a few of the best performing months of a chosen investment.¹

James is an example of an investor who took a long term “buy and hold” approach. In doing so, he managed to avoid a major risk of trying to time the market: missing some of the best months of an investment’s performance.

Of course, you may also consider what happens if you miss the worst months in the performance of an investment. Watch for my next article.

¹ Source: S&P/TSX Composite Total Return Historical Data; Investing.com

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