BEHAVORAL & FINANICIAL
INSIGHTS

Time: Friend or Foe?

Time, Not Timing, is What Matters

Time is something we have very little control over, and yet complete control over. We cannot extend time, nor can we shorten it, however, we have complete control over its use. How we employ time can be a significant contributor to whether we are happy or full of regrets.

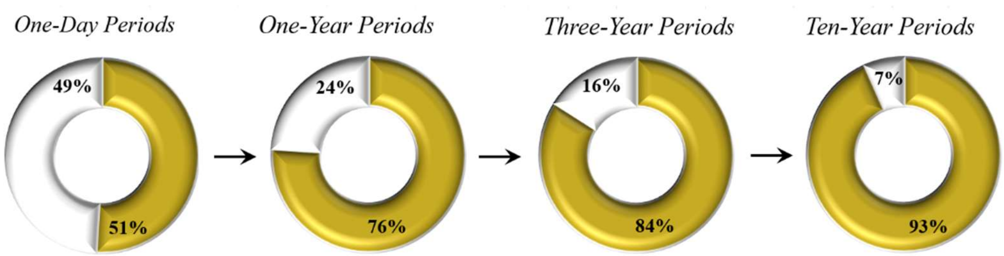
Investors are constantly making decisions based on time. We discuss "short-term" and "long-term" with respect to our financial goals. We make important financial decisions taking economic and market data into consideration over certain intervals of time. So, how often should investors look at their portfolios? Although there is no right answer for everyone, volatility and variability rule in the short-term. Hence, the more often we look, the more often we will witness volatility – which causes stress and may influence some to make hasty decisions. On the other hand, when we evaluate over the long-term, we see less variability and more wealth creation. The compounding of growth over time accelerates progress towards achieving our goals, which further boosts gratification and happiness.

Investing Benefits From A Long-Term Perspective

Since the market is unpredictable and highly variable in the short-term, investors that choose shorter time increments to evaluate their situation may experience more stress as headlines and market direction change often. Moods may be volatile as well, ranging from giddiness during good periods, to being the person no one wants to be around during bad spells.

On any given day, the odds that the stock market goes up are just a tad bit better than a coin flip. As the investment timeframe lengthens, however, the likelihood of a positive outcome has historically increased significantly. As the chart below illustrates, over a 10-year timeframe, the odds that the S&P 500 generated a positive return increased to 93%.

Positive vs Negative Returns Over the Past 100 Years [1]



[1] Source: Bloomberg. U.S. Stocks reflect S&P 500 returns. The above visual is for illustration purposes only. Past performance does not guarantee future results nor is it intended to be an indication of future trends. An investment cannot be made directly in an index.

The Takeaway – the longer the timeframe, the greater the likelihood of a positive outcome

Investors that evaluate performance over longer periods of time take a "bigger picture" approach, and are far less concerned with day-to-day market movements, let alone noise pollution emanating from the media. This allows them to focus their attention on the things that really matter in life.