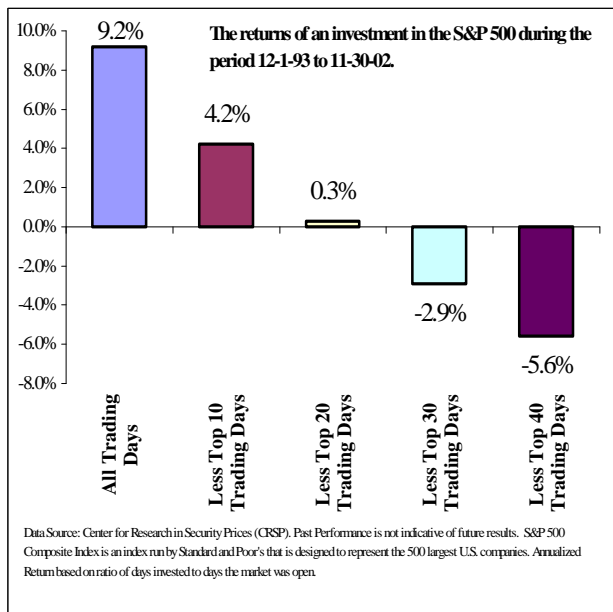


## TIME IN IS EVERYTHING!

Market timing is enjoying great appeal today. Yet the case *against* this investing technique grows stronger literally with every passing day. Recent data taken from the Center for Research in Security Prices (CRSP) shows this vividly. The chart below shows the utter futility of trying to guess what will happen in the markets.



This striking graphic shows how missing only a few of the market's best days would have a huge negative effect on the returns of an investment in the S&P 500 during this recent 10 year period. The most dramatic message contained in the chart is the fact that out of over 3600 days, if you had missed the best 40 (a little over 1%) of the days, you would have *lost* 5.6% a year vs. *gaining* 9.2% if you had stayed in. That is a 14.8% difference! Please keep in mind this time period represents some of the best *and* worst years in market history. So given this evidence, why would any prudent investor sit on the sidelines and wave at those still marching in the market parade? I would suggest that the reason lies in two of the classic investing mistakes that investors have made since investing began. The first is *panic* - pure and simple. They see the storm around them (pending war, economic slump, etc.) and take their eyes off of the goal and the facts that tell them that staying the course is the only

sensible way to proceed. The talking head investment analysts all say something different depending on hemlines, Super Bowl results or what bubble they think will burst next. The general media is contributing to the volatile atmosphere by reporting mostly bad news because good news does not sell advertising. So what do investors think other than the sky is truly falling? But just like the age-old fable, it never did, or will.

The other classic mistake involves *running for cover in cash and fixed income* instruments and out of equities while the stock indexes are down dramatically, as they are now. Investors often see bonds as a traditionally "safe" investment vehicle that will calm their nerves and enable them to *miss* the bad stock market. Besides missing the inevitable stock upturn, I would suggest that given the current interest rate environment, the next big market downturn will be in the bond market and not the stock market. If this holds true then safety will be only an illusion and not a reality. Unfortunately, this fact will be learned too late for most.

So what to do? The alternative to market timing is long term steadfast investing. Adhering to an *Investment Policy Statement* regardless of short-term fluctuations eliminates any guesswork. (If you do not have an IPS – get one!) Giving way to fear will undermine your investment program every time. There may be times and circumstances when an adjustment in your asset allocation is needed. But make sure this decision stems from the long-term strategy as outlined in your plan and not from overconfidence that you can predict market movements. Whenever you become tense about markets, review the historical data to regain your

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confidence in your long term strategy and remember this simple thought – it is not *timing* the markets, it is *time in* the markets that brings long term investment success.

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