



The Perils of Market Timing

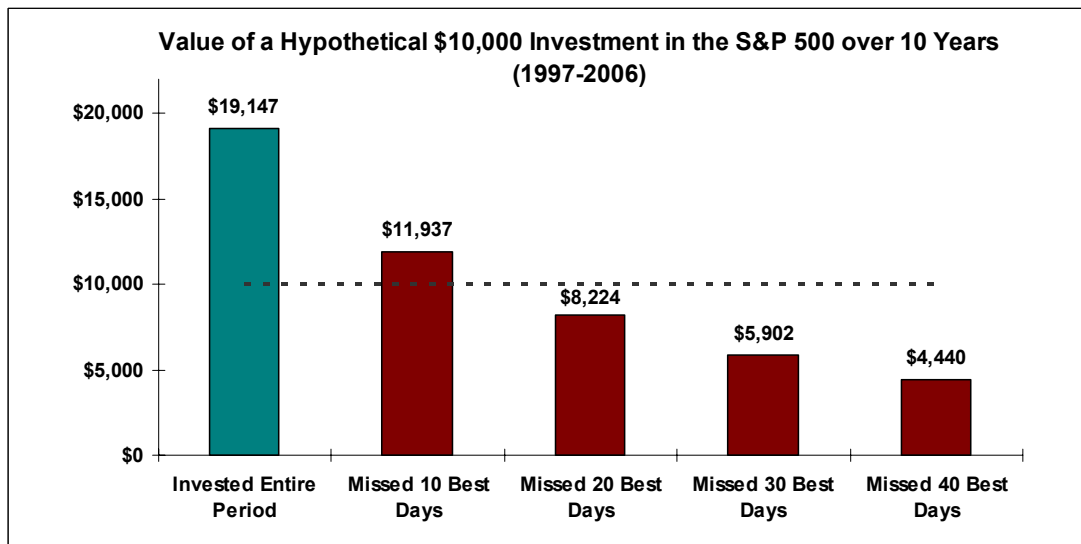
When market volatility falls upon us, some investors question if they should sell now to prevent further losses and then buy in when the market comes back up. This practice is called 'Market Timing'. The biggest potential pitfall in trying to time the market is missing the days the market is up. In fact, over the last 20 calendar years (1988-2007) the S&P 500 has averaged an 11.8% return per year. If you missed the 20 best performance days in those 20 years (i.e., 20 days in total, not 20 days each year), your average annual return lost more than 4 ½ percentage points and dropped to just +7.2% return per year (source: By The Numbers Research).

The temptation to time the market is understandable; if you were invested on days when the market went up and out of the market on down days, you would earn the best return possible. However, even seasoned investment professionals with years of experience are reluctant to make predictions about the stock market. There is simply no pattern or logic to the timing of the market's best days.

Consider that, of the 2,516 business days during the past decade:

- None of the market's 10 best days were consecutive
- Four of the 10 best days were in one year
- Five of the years did not have any of the 10 best days

There is only one strategy to ensure capturing the best days: **remain invested for the entire period**. Stay on track, continue your strategy. Stock market cycles often cause investors to do the wrong thing at the wrong time. Historically, during periods when equity returns have been low, many have left – at a time when stock values have been most attractive. Avoid the classic error of selling low and buying high; be patient and remain invested. We stand ready to answer questions about your portfolio and strategy at any time. Please do not hesitate to contact us at 1-800-880-401k.



Source: Standard & Poor's 500 (S&P 500) - an unmanaged group of securities considered to be representative of the stock market in general. The index includes reinvested distributions but does not reflect sales charges, commissions or expenses. Figures shown are past results and are not predictive of results in future periods.

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