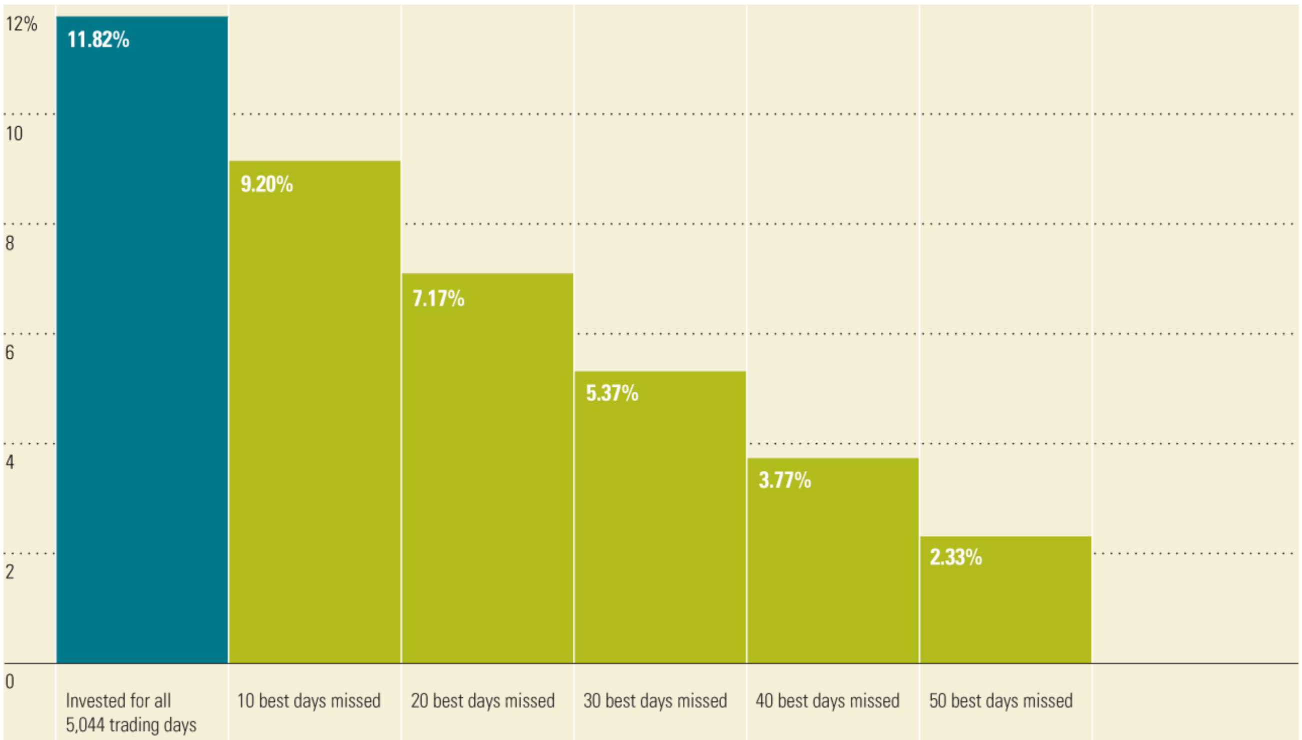
Miss a Little, Miss a Lot

Dangers of market timing

Risk of attempting to time the stock market, 1988–2007



Timing the market can be harmful to your wealth

Investors who attempt to time the market run the risk of missing periods of exceptional returns. This practice may have a negative effect on a sound investment strategy.

Buying into the market when it is performing well and selling when it is on the decline could reduce, rather than increase, returns over the long run. Although successful market timing may improve portfolio performance, it is very difficult to time the market consistently.

To have and to hold for better or for worse

The image illustrates the risk of attempting to time the stock market over the past 20 years by showing the returns investors would have achieved if they were to miss some of the best days in the market. Investors who stayed in the market for all 5,044 trading days achieved a return of 11.8%. However, that same investment would have returned 9.2% had it missed only the 10 best days of stock returns. Further, missing the 50 best days produced a return of only 2.3%.

Unsuccessful market timing can lead to a significant opportunity loss. A buy-and-hold strategy may prove more successful in keeping portfolios well positioned regardless of what direction the market takes. Rather than reacting to short-term volatility and trying to time the market, consult a financial professional to develop a sound long-term investment plan.

Past performance is no guarantee of future results. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. Returns and principal invested in stocks are not guaranteed. Holding a portfolio of securities for the long-term does not ensure a profitable outcome and investing in securities always involves risk of loss.

Source: Stocks are represented by the Standard & Poor's 500®, which is an unmanaged group of securities and considered to be representative of the stock market in general.