The Importance of Staying Invested

Ending wealth values after a market decline

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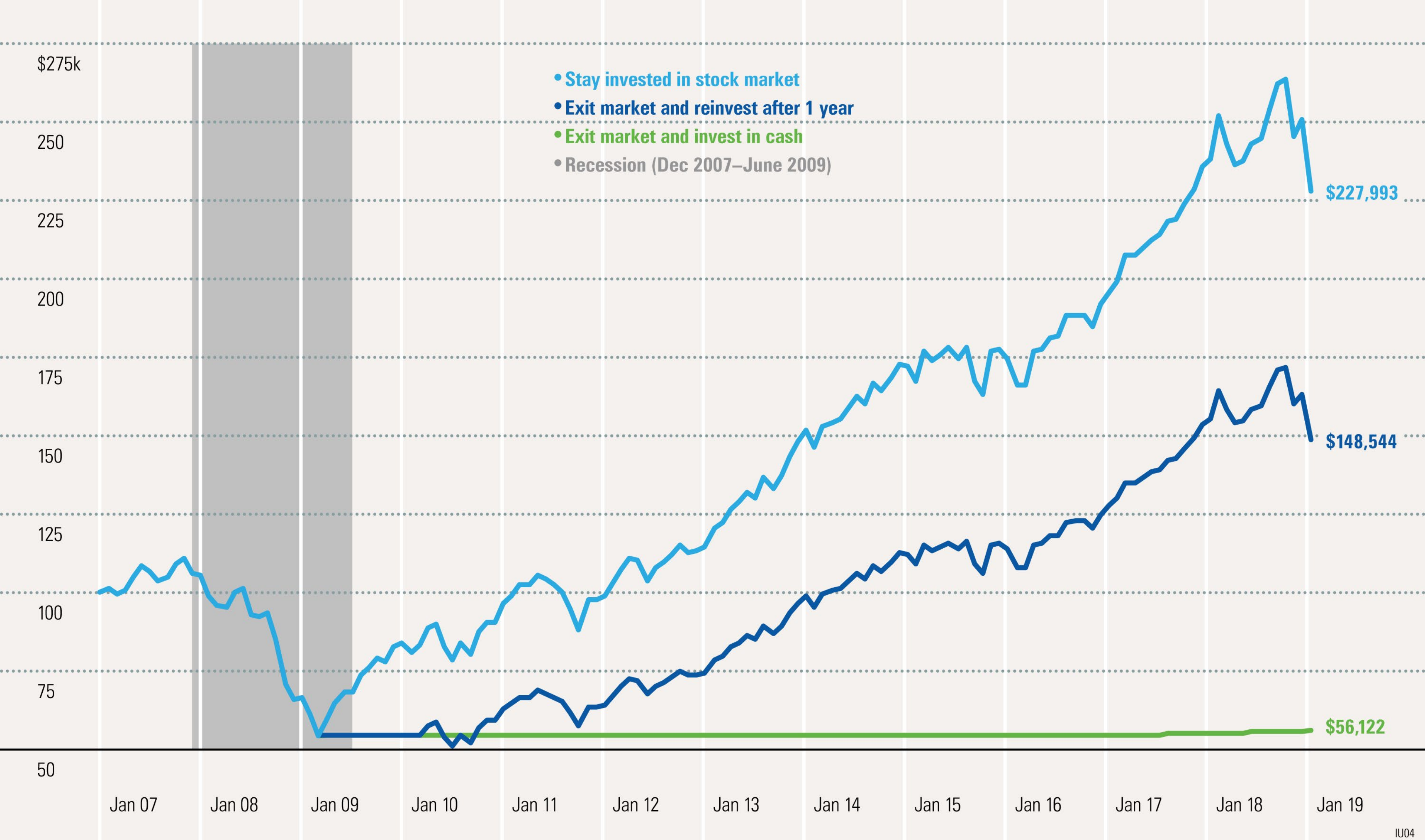

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Investors who attempt to time the market run the risk of missing periods of exceptional returns, leading to significant adverse effects on the ending value of a portfolio.

The image illustrates the value of a USD 100,000 investment in the stock market during the 2007–18 period, which included the global financial crisis and the recovery that followed. The value of the investment dropped to USD 54,381 by February 2009 (the trough date), following a severe market decline. If an investor remained invested in the stock market over the next nine years, however, the ending value of the investment would have been USD 227,993. If the same investor exited the market at the bottom, invested in cash for a year, and then reinvested in the market, the ending value of the investment would have been USD 148,554. An all-cash investment at the bottom of the market would have yielded only USD 56,122. The continuous stock market investment recovered its initial value over the next three years and provided a higher ending value than the other two strategies. While all recoveries may not yield the same results, investors are well advised to stick with a long-term approach to investing.

Returns and principal invested in stocks are not guaranteed. Stocks have been more volatile than bonds or cash. Holding a portfolio of securities for the long term does not ensure a profitable outcome and investing in securities always involves risk of loss.

About the data

Recession data is from the National Bureau of Economic Research. The market is represented by the Ibbotson® Large Company Stock Index. Cash is represented by the 30-day U.S. Treasury bill. An investment cannot be made directly in an index. The data assumes reinvestment of income and does not account for taxes or transaction costs.