It Was The BEST of Times, It Was the WORST of Times

ARTICLE ROCKY MILLS

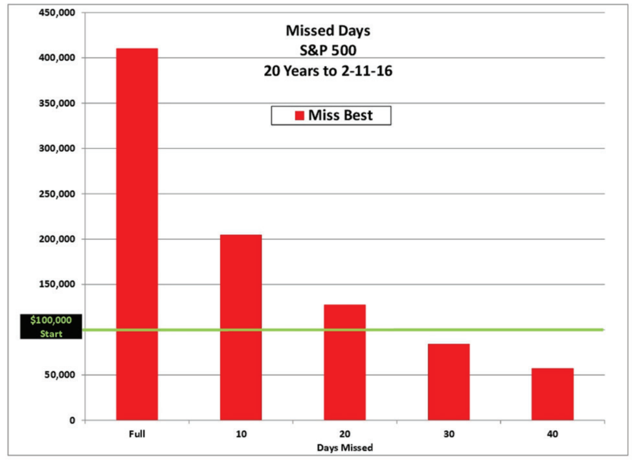

Table 1

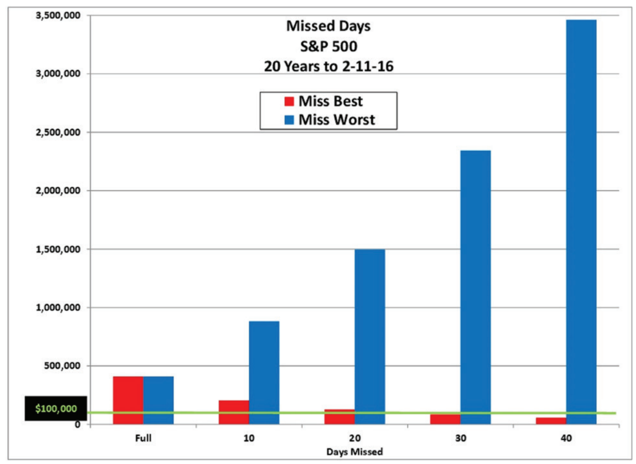

Table 2

Thank you, Charles Dickens, but this isn't *A Tale of Two Cities*. It's the tale of two very different views on investing.

The first view, taken by most money managers who want you to "stay the course," tells how much worse you would have fared if you simply missed the best few *days* in the past 20 years. Remember, 20 years is over 5,000 trading days. And they're right!

Table 1 shows the full "stay the course" return of the S&P 500 (with dividends) for the past 20 years: $100 K would have grown to over $400 K.

But if you had not "stayed the course" and just missed the best 10 days, your account would only be half as much! And it gets worse as the days missed increase. In fact, had you missed 30 or more of the best days, your account would have shown a loss for the 20-year span.

I take a very different view. Don't tell me how much worse off I'd be by *missing* some of the *best* days. Instead, tell me how much better off I'd be if I'd *avoided* some of the *worst* days.

The difference is night and day! Table 2 shows that just avoiding the 10 worst days more than doubles the "stay the course" outcome, and it only gets better from there.

This eye-opening contrast stems from "The Arithmetic of Losing," which says a loss hurts a portfolio more than an equal-sized gain helps. For example, a 50% gain can be subsequently wiped out with just a 33% loss. Or, conversely, a 33% loss needs a much larger 50% gain to break even.

Bottom line: You need a *discipline* to help you systematically, unemotionally avoid such losses. "Staying the course" scares the Dickens out of me.

Robert A. "Rocky" Mills is a registered representative with and securities offered through LPL Financial, Member FINRA/SIPC. Investment advice offered through Westlake Investment Advisors, a registered investment advisor and separate entity from LPL Financial. The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual.

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