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Private Wealth Management

In the Markets Now

When every buy is a good buy

The volatility of the last few months has been nearly unprecedented. Here, we aim to recap the action and hopefully provide some perspective to investors.

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ON THE NEED FOR YOUNGER INVESTORS TO TAKE A LONGER VIEW

An excellent recent BairdWealth.com article featured this quote by investor Howard Marks: "The investor's goal should be to make a large number of good buys, not just a few perfect ones." He wrote this to address the impossibility of perfectly calling the bottom in a falling market, but I want to recontextualize this idea to address younger investors with longer time horizons, like myself.

While it's easy to get caught up in the daily fluctuations of the market, focusing too intently on the day-in, day-out of the S&P 500 distracts from the goals of long-term investing. For instance, many probably feel that they missed their window to invest after the market bounced aggressively off of the March 23rd lows. But this attitude frames the issue in the wrong way, and can keep investors on the sidelines waiting for a timely moment or second crash that may never come.

There is no perfect buy at the market bottom, and for the long-term investor it doesn't matter anyway.

Over the last 50 years, there have been 26 declines of 10% or more in the S&P 500 (from a recent high). I've catalogued them all to the right. That means 26 dates that marked a peak before a massive drop; 26 dates that only the unluckiest person could have invested on. But for the long-term investor? It didn't matter one bit. The 20-year returns for this most unlucky individual ranged from 60% to almost 1,100%, for an average price return (not even including dividends!) of ~450%.

As we zoom out our time horizon, the concept of a "good buy" into the S&P 500 (or other broad market portfolio) widens until the entire idea becomes moot. **With a long enough time horizon, every buy is a good buy.**

In the end, we'll never be as constantly unlucky as our hypothetical investor above, but we'll also never be perfect market timers either. Simply getting invested in the broad market or a portfolio of high-quality companies is the biggest step; dividend reinvestment, rebalancing, and compounding do the rest.

And that is where your Baird Financial Advisor comes in. They are trained to help construct robust portfolios and financial plans built for the long-term.

Market Peak	Percent Lost	20-yr Price Return
4/28/1971	-13.9%	257%
1/11/1973	-48.2%	258%
11/7/1974	-13.6%	516%
7/15/1975	-14.1%	486%
9/21/1976	-19.4%	537%
9/12/1978	-13.6%	844%
10/5/1979	-10.2%	1070%
2/13/1980	-17.1%	1074%
11/28/1980	-27.1%	851%
10/10/1983	-14.4%	501%
8/25/1987	-33.5%	339%
1/2/1990	-10.2%	215%
7/16/1990	-19.9%	189%
10/7/1997	-10.8%	159%
7/17/1998	-19.3%	137%
7/16/1999	-12.1%	112%
3/24/2000	-49.1%	60%
11/27/2002	-14.7%	-
10/9/2007	-56.8%	-
4/23/2010	-16.0%	-
4/29/2011	-19.4%	-
5/21/2015	-12.4%	-
11/3/2015	-13.3%	-
1/26/2018	-10.2%	-
9/20/2018	-19.8%	-
2/19/2020	-33.9%	-
Average	**-20.9%**	**447%**

Source: Yardeni Research, Factset

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