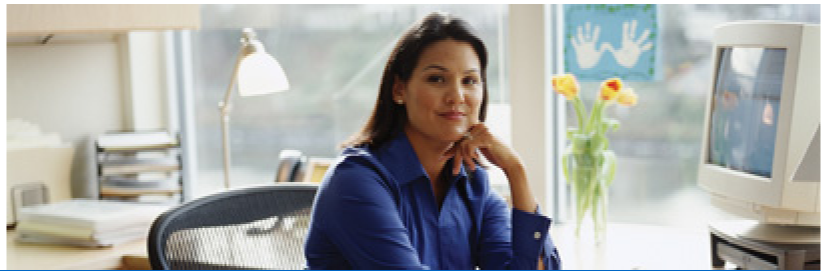

INDEPENDENT INVESTOR

Timely Insights for Your Financial Future

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History Shows, Time in the Market Beats Market Timing

Sports commentators often predict the big winners at the start of a season, only to see their forecasts fade away as their chosen teams lose. Similarly, market timers often try to predict big wins in the investment markets, only to be disappointed by the reality of unexpected turns in performance. While it is true that market timing sometimes can be beneficial for seasoned investing experts, for those who do not wish to subject their money to such a potentially risky strategy, time--not timing--could be the best alternative.

Market Timing Defined

Market timing is a strategy in which the investor tries to identify the best times to be in the market and when to get out. Relying heavily on forecasts and market analysis, market timing is often utilized by investment professionals to attempt to reap the greatest rewards for their clients.

Proponents of market timing say that successfully forecasting the ebbs and flows of the market can result in higher returns than other strategies. Their specific tactics for pursuing success can range from what some have termed "pure timers" to "dynamic asset allocators."

Risky Business?

Although professionals may be able to use market timing strategies to reap rewards, one of the biggest risks of this strategy is potentially missing the market's best-performing cycles. For example, say an investor believes that the stock market is going to drop and removes investment dollars from some or all of the stocks in his or her portfolio and replaces them with more conservative investments.[1] While the money is out of stocks, the market instead enjoys its best-performing month(s). In this instance, the investor has incorrectly timed the market and missed those top months.

Though past performance cannot guarantee future results, missing the top 20 months in the 30-year period ended December 31, 2014, would have cost you $20,546 in potential earnings on a $1,000 investment in Standard & Poor's Composite Index of 500 Stocks (S&P 500). Similarly, missing the top 10 performing months in the 30-year period would have cost a hypothetical investor $15,459 in potential earnings. Left untouched, the initial $1,000 investment would have grown to $25,109 over the same period.[2]

An Alternative Choice: Buy and Hold

If you're not a professional money manager, you may want to consider a buy and hold strategy, or to purchase shares and hold on to them throughout various market cycles. Through a "buy-and-hold" strategy you take advantage of the potential for compounding, or the ability of your invested money to make money. Keep in mind, however, that buy and hold does not mean you can ignore your investments. Remember to give your portfolio regular checkups, as your investment needs will change over time.

Normally a young investor will probably begin investing for longer-term goals such as marriage, buying a house and even retirement. At this stage, the majority of his portfolio will likely be in stocks, as history shows stocks have offered the best potential for growth over time, even though they have also experienced the widest short-term fluctuations.[3] As the investor ages and gets closer to each goal, he or she will want to rebalance portfolio assets as financial needs warrant.

Time Is Your Ally

Clearly, time can be a better ally than timing. The best approach to your portfolio is to arm yourself with all the necessary information, and then take your questions to a financial advisor to help with the final decision making. Above all, remember that both your long- and short-term investment decisions should be based on your financial needs and your ability to accept the risks that go along with each investment. Your financial advisor can help you determine which investments are right for you.

[1]Investing in stocks involves risks, including loss of principal.

[2]Source: Wealth Management Systems Inc. Stocks are represented by Standard & Poor's Composite Index of 500 Stocks, an unmanaged index generally considered representative of the U.S. stock market. Individuals cannot invest in indexes. Unmanaged index returns do not reflect fees, expenses, or sales charges associated with investing. Past performance is not a guarantee of future results.

[3]Past performance is not a guarantee of future results. There is no assurance that a buy and hold strategy is suitable for all investors or will yield positive outcomes. The purchase of certain securities may be required to effect some of the strategies. No strategy assures success or protects against loss.

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