Good Hands℠ **Retirement**

Invest

Time in the Market, Not Market Timing, Is the Key

It sounds great in theory: invest in stocks as the market starts to gain momentum, then switch to cash investments or bonds when stock values peak and the market turns the corner. Attempting to "buy low and sell high" — known as market timing — is a strategy that has many believers. After all, what's not to like about a strategy that theoretically lets investors benefit from the upside and protect themselves from the downside?

Timing Is NOT Everything

Unfortunately, the reality can be something quite different. Market timing assumes that it is possible to consistently pick the exact moments to move in and out of the stock market. But very few people, professional investors included, can repeatedly time their investment decisions to match market movements. Instead, they may rush to buy a "hot" security, only to see its price drop soon after. Or they might switch out of an investment whose price has plummeted, only to see it rebound later.

> "Market timing may be an interesting theory, but it usually doesn't work."

Missed Opportunities

Buying and selling investments in an attempt to generate short-term profits could seriously stunt a portfolio's growth. Sometimes, quick gains in the stock market occur over very short periods. These bursts can account for much of the market's quarterly or even annual performance. Market timers often miss out on these upswings.

Time in the Market

Instead of hopping in and out of the market, people who are investing for a long-term goal, such as retirement, may do better owning a diversified portfolio and sticking with it through periods of uncertainty and changing values. A diversified portfolio benefits from the fact that the different asset classes usually don't move in the same direction. For example, if stock returns falter, returns from investments in other asset classes may rise or hold steady, helping to offset possible losses. Over time, investing in a broad range of investments may result in greater growth than would be possible by investing in only one asset class.

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A Long-term Perspective

Investing is often a long-term proposition. Although past performance is no guarantee of future results, history shows that even severe market declines have not lasted forever. Regular contributions to a diversified investment account — combined with the power of compound investment growth — can build up that account over time. The longer money is invested, the greater the potential benefit from compounding.

While there may be certain circumstances that call for making changes to a portfolio's investment mix — such as getting close to an investment goal, a change in risk tolerance, or when a particular investment's performance is consistently poor — as a general rule, staying the course is generally the best investing strategy.

The bottom line? Market timing may be an interesting theory, but that strategy usually doesn't work. Focusing on some better known investment strategies, such as diversification and staying invested in good times and bad, can be a way to achieve long-term investing goals.

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