



Short Term Uncertainty Should Not Derail Sound Long Term Strategies

From 1926 through 1999 large company stocks lost money in 18 calendar years. In other words, if you are going to invest in stocks, it is reasonable to expect to lose money approximately 2.5 years out of every ten. If you invested with sound principles, you accepted the risk of some losing years, and now that the market is down, you should not rethink or regret that decision.

From 1926 through 1999 the average annualized rate of return for large stocks was 11.3%. Compare that to the 3.8% average annualized return of treasury bills. Is it worth weathering a few losing years if the long-term result is to more than double your investment return? It can't be guaranteed, but the probability is reasonably good. Large stocks beat T-bills in 86% of 10 year rolling periods since 1926.

A long-term investor takes periodic losses in stride. A long-term investor buys more when stocks are down. A long-term investor continues to add to investments regularly. A long-term investor seeks reasonable returns, knowing that the ups and downs tend to average out in the investor's favor. A long-term investor accepts a certain level of risk to have the opportunity for higher returns. A long-term investor understands there are no guarantees and does not expect that everything will go right all the time.