faith . discipline . patience

We have met the enemy and he is us.

When it comes to investing I firmly believe our intellect is no match for our emotions.

We all know it is better to buy low and sell high than the opposite yet many seem to do more of the opposite.

According to Dalbar, over the 20-year period ending 2020 the average investor had a return of 2.9% per year.

A traditional portfolio of 60% stocks and 40% bonds, according to J.P. Morgan Asset Management, returned 6.4%.

If you went with a straight S&P 500 investment you'd have earned 7.5% yearly.

I know, percentages don't grab our attention. Dollars might, though.

If you started with $100,000 the S&P 500 investment would've grown to $424,000. The 60/40 mix would've grown to $345,000. Unfortunately, the average investor ended up with $177,000.

There are many behavioral traps that may have caused this. Selling when the market tanks is one.

We have a tendency as human beings to extrapolate the recent past.

Stocks having a bad year? It somehow becomes easier to think next year will be bad, too.

Just like an active hurricane season may make us think we'll have an even more active season next year.

A possibly cure is to take a longer view. Have stocks gone down for longer than the period you're assessing? If no, maybe you're getting caught in near-term focus.

If yes, well, keep zooming out and you'll likely see a long-term up-trend.

Further, if you see an extended down-move you may be looking at a buying opportunity.

Another possible mental hang-up is fear of losing.

Studies have shown the pain of losing is double the joy of winning.

Right now, with the stock market near all-time highs, it's easy to worry about an imminent drop and thus sell to prevent the pain.

"It's just too quiet out there."

Of course, this is nothing more than an attempt to time the market which I firmly believe is a fool's errand.

Or, as Peter Lynch liked to say: "more money has been lost preparing for corrections than has been lost in the corrections themselves".

The sudden drops of the stock market is in my opinion the price of entry for the longer term rise of the stock market.

Let your plan guide you if you get nervous about your investments. Keep near-term spending money tucked away in something stable, and consider using stocks for growth over the longer term.

This way you might avoid missing out on excellent long-term growth for no other reason than fear of near-term loss.

Good luck.

Jorgen Vik, CFP®
CERTIFIED FINANCIAL PLANNER™
Partner

1405 Rolkin Ct., Suite 202
Charlottesville, VA 22911
toll free 844.391.3610
tel 434.328.8040
fax 434.234.3789
www.skvgrp.net

faith . discipline . patience

SKV Group, LLC

Wells Fargo Advisors Financial Network did not assist in the preparation of this report, and its accuracy and completeness are not guaranteed. The opinions expressed in this report are those of the author(s) and are not necessarily those of Wells Fargo Advisor Financial Network or its affiliates. The material has been prepared or is distributed solely for information purposes and is not a solicitation or an offer to buy any security or instrument or to participate in any trading strategy.

Asset allocation and diversification are investment methods used to help manage risk. They do not guarantee investment returns or eliminate risk of loss including in a declining market.

This information is hypothetical and is provided for informational purposes only. It is not intended to represent any specific return, yield, or investment, nor is it indicative of future results.

1405 Rolkin Ct., Suite 202
Charlottesville, VA 22911
toll free 844.391.3610
tel 434.328.8040
fax 434.234.3789
www.skvgrp.net