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*The Best Time to Time the Market (Never)*

They say timing is everything, but experienced investors have found that timing the market is easier said than done. The idea of market timing is certainly appealing: Buy an investment at or near the trough, sell at or near the peak. The problem is that only in hindsight are those peaks and troughs clearly visible. Numerous studies over various time periods have tested the effectiveness of market timing and they all reach the same conclusions: Markets move too sporadically and trends are too unpredictable to be consistently exploited by market timers.

Market timing is really nothing more than a guess at short-term trends which if wrong, can have a disastrous impact on the long-term investment outcome. It boils down to the fact that during most years, a very small number of trading days are responsible for a very large percentage of the market's returns. No one can consistently predict when the best days will occur. The odds of successfully "market guessing" over any meaningful period of time are the kind only "the house" at a casino could love.

The lure of better returns, however, coupled with the fear of losing money prompts investors to continue pursuing timing strategies. Mutual fund tracking data consistently show new investment dollars flowing to those funds posting strong short-term returns and high redemptions from funds with poor recent performance. These emotional (behavioral) tendencies are cited as part of the reason investors' portfolios routinely underperform not only the market, but the funds in which they invest. Dalbar, Inc. found that from 1984-2002 mutual fund shareholders earned less than 3% annually, while funds averaged 9.3% and the S&P 500 made 12.2%. It is clear that the action investors often feel compelled to take has the opposite effect of that which they intended. Investors without a long-term plan or investment discipline fall prey to their own impulses and the chorus of media voices, regularly telling them to do something, even though it's often better to do nothing.

Removing guesswork from the investment strategy is the best way to avoid the missteps which plague the average investor. Successful long-term investing is a function of a well-defined investment plan coupled with persistence and patience, not timing. A diversified portfolio guided by a well-defined, long-term investment plan can withstand market cycles and deliver solid market returns without subjecting the investor to the risk and stress of choosing entry and exit points.

Regularly rebalancing the portfolio to its asset allocation targets is important as it establishes the discipline of buying low and selling high, counteracting the average investor's natural tendency to do the opposite. This simple strategy increases returns, decreases stress and protects investors from the "sirens' call" of the latest investment fad. Investors can then focus on investment issues they can control such as how much risk they are willing and able to take, how much to pay for management, and how much to save.