



# Newsletter



## Is the S&P 500 my benchmark?

"If you're an investor, odds are somewhere along the way, someone taught you the benefits of diversification.

I learned to diversify long before I was a financial advisor and I learned it from my grandfather.

My grandparents lived on a farm and raised horses..."

~Janel Cross

**"Head to the Track" in our latest Blog**

## Playing the Long Game Why Investing Isn't High-Stakes Market Timing

Erik Laymon | August 15, 2023

Investing can feel like a high-stakes game, especially when markets fluctuate as they have in recent years. The temptation to react emotionally can lead investors to "run for cover and hide" by selling and waiting for things to get better before re-investing.

The Align way of investing is not about reacting to market highs and lows. Neither is it about waiting for clear signals. Rather, we commit to maintaining a steady, long-term strategy. We encourage our clients to embrace patience and leave the excitement of market dynamics and economic fundamentals to the professionals.

Goldman Sachs, one of our trusted investment partners, subscribes to the same long-term investment philosophy. What follows is a summary of an interesting article they recently published on the topic.

Let's remain encouraged to be patient, be brave, and stay the course. ▶



## Continued... "Playing the Long Game"

Suppose you've been contributing \$12,000 annually from 2000 to 2023:

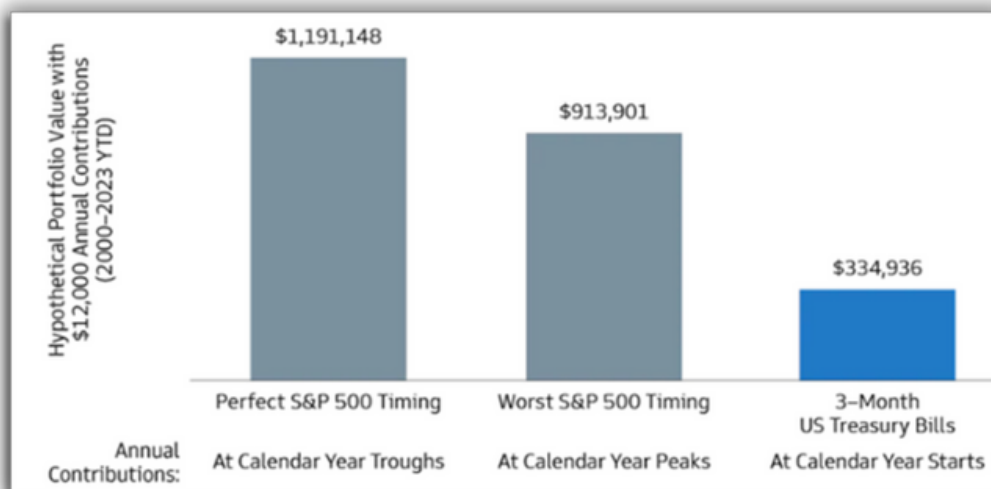


Figure 1: Goldman Sachs, "Stat of the Week" 6/26/23

- In the first scenario, you manage to "buy the dip" perfectly each year, investing at the market's lowest point. While ideal, this would be impossible to execute in reality.
- In the second scenario, you invest at the market's peak each year, essentially "doubling down" to ride the wave of upward momentum. This approach is common but can lead to investing at the worst possible times due to market volatility.
- In the third scenario, you allow your contributions to sit in cash, nervous about investing during periods of market volatility. This approach, often driven by fear and indecision, can result in missed opportunities.

According to Goldman Sachs, the difference in portfolio values between perfectly-timed and worst-timed contributions over 23 years is about \$300,000. This is significant—about the price of a modest home. However, the difference between worst-timed contributions and holding cash is a staggering \$600,000. This stark contrast underscores the cost of missed opportunities when sitting on the sidelines. Not that we would recommend market timing, but even a bad market timer would outperform money sitting in the bank under this scenario.

Recent news articles such as those in [Forbes](#), [CNBC](#) and [The Wall Street Journal](#) highlight the unpredictability of the markets and the challenges of timing investments perfectly. Furthermore, the surge in retail investor participation as [reported by Market Watch](#), has increased market volatility. Right now, investors are being psychologically tempted with a fight-or-flight response: whether to take excessive risk with equities to "make up for 2022" or to hold cash on the sidelines to "buy the dip" when it feels safe. Our advice: do not give in! Remain invested so you can focus on life's challenges.

Align aims to help our clients avoid giving chase to short-term market trends, focusing instead on building a diversified portfolio aligned with your long-term financial goals. Trying to time the market can lead to more harm than good. When we invest, we must accept the risk of good times and bad while maintaining a steady focus on long-term growth.

Remember, investing is about building wealth with intention, not "gambling!" ■

# Helpful Articles & Links

**U.S. Economy Hit by Rolling Recession** - This article from American Funds explores what happened to the widely predicted recession that was supposed to wreak havoc on the U.S. economy this year. It actually happened, but not all at once.

**The Psychology of Money: Morganousel** - Franklin Covey interview with award-winning, bestselling author Morgan Housel. Morgan shares some tactical tips that help us to first understand some basics about wealth and money, and then put those ideas to work to get wealthy and stay wealthy.

**Personal Finance for Kids** - This YouTube playlist is designed to teach personal finance to kids. The topics include many helpful topics: What is a Budget?, Reading Your Paystub, Debt, and Investing.



**Beware the Media** - This resource from our very own Janel Cross discusses the long history of the media sensationalizing headlines just to boost their ratings, not to help you make wise financial decisions.

If you find this video helpful, check out the rest of Janel's **MoneyMonday** library. This series covers everything from the basics of budgeting to retirement and estate planning.

**THANK YOU FOR THE GREAT PRIVILEGE OF  
SHARING THE FINANCIAL JOURNEY WITH YOU!**



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