When it comes to planning for the future, the two most important steps you can take are starting early and investing consistently over long periods of time. And while bear markets, economic recessions, or geopolitical events can result in periods of volatility, those who stay the course have the potential to reap significant rewards. The enclosed Morningstar Andex chart offers compelling reasons for taking a long-term view. Since 1926, U.S. small-cap stocks have outperformed all other major asset classes. There's no guarantee that this will continue in the future, but history suggests that markets can be resilient—especially for those with the patience to stay invested. Here are a few points to consider when reviewing the chart:

- There have been 15 recessions in the U.S. since 1926—but only three occurrences when stocks exited the recession lower than when they entered.

- Of the eight full decades shown on this chart, only two had a negative stock return and neither of the declines was greater than 1%. Meanwhile, among the six other decades when stock returns were positive, all had a return greater than 5%.*

- There have been a number of periods in the past when it's been uncomfortable to stay invested. Following the Great Recession of '08, the subsequent rally in stocks has come to be known as the “most hated bull market in history.”

- Investors who indiscriminately sell their stock holdings in a declining market are likely to lock in losses and miss out on the upside assuming share prices start rising. In fact, of the ten largest one-day sell-offs in the S&P 500 over the past ten years, seven of those instances showed the index close at a higher price level within one month after the sell-off.

Source: Bloomberg

- A diversified portfolio of stocks or bonds can help reduce individual company risk, but may be ineffective at reducing systemic market risk.

- Market volatility generally spikes sharply with negative events, affecting investor sentiment and broad-market performance. In addition to diversifying across asset classes, portfolio volatility may be further reduced by diversifying across asset class behaviors.

- Since 1926, a variety of asset classes has emerged to help individuals diversify their traditional stock and bond portfolios. Most recently, “alternative” asset classes have emerged to help investors meet targeted objectives.

- The average life expectancy in 1930 was 58.1 years for men and 61.6 years for women. By 2014, life expectancies had increased to 76.4 years for men and 81.2 years for women. Is your investment portfolio geared to weather both socioeconomic and macroeconomic challenges?


The S&P 500 Index is an unmanaged index of U.S. stock market performance. Investors cannot invest directly in any index. *Return calculations are based on the S&P 500 Index price movement only. The returns are cumulative and do not include the reinvestment of dividends. Diversification does not guarantee a profit or protect against risk of loss. Past performance is no guarantee of future results.
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