ARTICLE:

Another Example of the Value of Having an Appropriate Time Horizon

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At a time during World War II the Standard & Poor's* stock index closed at just under 12. On October 29, 2021, it closed at 4,605, or about 383 times higher, not counting dividends which were up a bit more than 99 times. Over that time the Consumer Price Index was up approximately 15 times.

Overcoming 13 recessions, 16 intraday drops of 20% or more which included, 12 official bear markets (a drop in the index of 20% or more at close), during that time period, with dividends reinvested, the index averaged over 13% per year. Along the way we have lived with a seemingly continuous series of crises and terrible events including World War II and use of nuclear weapons, the Korean War, Bay of Pigs and Cold War, President being assassinated, Vietnam War, S & L Collapse, President being shot, disputed presidential election, the Tech Crash, 9/11/2001 attack on the USA, Gulf War, Iraq War, Afghanistan War, the financial collapse caused by US Government policies followed by massive job losses, and the longest and deepest recession and bear market since the Great Depression. Most recently we experienced another disputed presidential election and the coronavirus pandemic with its concomitant shutdowns, recession, and bear market, as well as the Afghanistan debacle in August 2021 (and ongoing).

The question to ask yourself is: As someone working toward achieving and maintaining Financial Independence, would I have been better served focusing on my long term goal, based on my family's time horizon, or by acting on instinct and allowing myself to have been distracted by the continuous stream of scary events?

If you have questions about this or other planning issues, please give us a call at 216-765-0121.

* The Standard & Poor's (S&P) 500 Index is an unmanaged index that tracks the performances of 500 widely held, large-capitalization U.S. stocks. Indices are not managed and do not incur fees or expenses. It is not possible to invest directly in an index. Past performance is not indicative of future results.