

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 March 20, 2013, it closed at 1,559, or about 130 times higher, not counting dividends which were up a bit more than 50 times. Over that time the Consumer Price Index was up approximately 13 times.

Overcoming 12 recessions and 11 bear markets (a drop in the index of 20% or more) during that time period, with dividends reinvested, the index averaged over 11% per year. Along the way we have lived with a seemingly continuous series of crises and terrible events including (this is the shortlist) World War II, the Korean War, Bay of Pigs and Cold War, president being assassinated, Vietnam War, S & L Collapse, the Tech Crash, 9/11 attack on the USA, Gulf War, Iraq War, Afghanistan War, the financial collapse caused by the US Government, which was followed by the longest and deepest recession, job losses, and bear market since the Great Depression, ... through everything we are now experiencing.

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 own time horizon, or by 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 performance 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.