

EYE ON THE MARKET

Time: The Ultimate Luxury Item

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Eye on the Market (“EotM”) took a much needed respite from writing. We believe that there is no item more luxurious than having time to spend in a way that you choose. It could be used to read a book, spend time with family, or travel. Just as having leisure time is a treat, investors should view time as a key component toward reaching their goals.

THE ONLY THING I LOST AND COULDN’T FIND WAS TIME

One of the most basic tenets of investing is time. It is fundamentally rooted in how securities are valued, asset allocations are positioned, and the development of investment policy statements which aid in the success of a long-term financial plan.

Chart 1

Estimated Future Value at 65			
Start Saving at Age	# of Years	Value at Age 65	Holding Period Return
22	43	\$120,193	1102%
32	33	\$67,115	571%
42	23	\$37,477	275%
52	13	\$20,927	109%

Source: Raymond James.

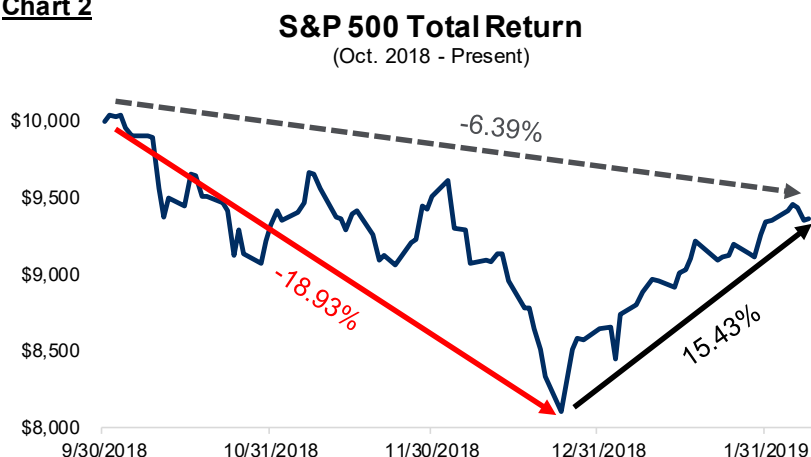
Generating compound returns, especially over longer holding periods, are directly tied to time horizon. In the hypothetical example depicted in Chart 1, an investor makes an initial investment of \$10,000 that grows by 4% per year. In this example, it is clear that the 22-year old investor will benefit the most, as her initial investment will grow to approximately \$120,000. This translates to a holding period return, or the total return earned from an investment over a given period of time, of approximately 1,100%. The example is not intended to show what an investor should expect, but more so reflect the power of compounding returns over time. Yes, the 22-year old investor may not have the same discretionary spending capabilities as a 32-, 42-, or 52-year old, but the growth potential is hard to ignore.

SUNDIAL OR SPLIT SECOND STOP WATCH?

Should we measure time in years, months, days, minutes, or seconds? It depends. For tactical investors, shorter time periods are essential, but for most long-term investors, years are more pertinent. EotM falls into the latter camp.

As EotM observed the recent bout of market volatility for much of 2018, we are reminded that patience is a luxury that investors need to come to appreciate. Yes, the fourth quarter of 2018 was difficult for many investors to stomach, as the S&P 500 declined by nearly 19%. Conversely, it has rebounded by approximately 15.5% since bottoming out. Had an investor ignored the ebbs and flows of the day-to-day swings, her position in the S&P 500 would only be down 6.4%. By remaining patient, our investor would have avoided locking in a realized loss. Her portfolio has declined, but not so dramatically that it cannot recover.

Chart 2



Source: Morningstar Direct and Raymond James.

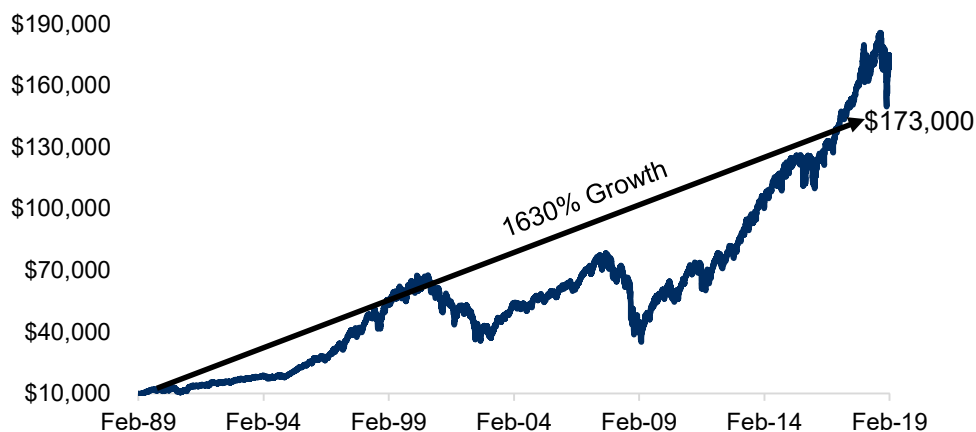
Past performance does not guarantee future results.

GETTING BETTER WITH AGE

While informed investors typically hold a diversified portfolio to maximize the risk/return profile of their combined investments, Chart 3 shows what could occur in a hypothetical example. For an investor that allocated \$10,000 to the S&P 500 in early February 1989 and did not look at it again for 30 years, she would have witnessed her portfolio grow to \$173,000 or a cumulative increase of 1,630%.

Chart 3

S&P 500 Total Return (Feb. 1989 - Present)



Source: Morningstar Direct and Raymond James.

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EotM highlights this purely to show what may occur for an investor with a long-term view. Her portfolio would have survived three recessions – early 1990s, early 2000s, and the financial crisis of 2008 – 2009. Having this level of patience and fortitude would be remarkable and it serves as a guide to the benefits of a buy-and-hold strategy.

SIDE NOTE

Many of us sit through meetings that are 60 minutes in length, and we have the ancient Sumerians and Babylonians to thank for this. The two civilizations used a sexagesimal, or base 60, numerical system. It has been used to measure a variety of items including time and geographical distances. The next time you are in a meeting that seems to be running slowly, remember that a 60 minutes meeting has 60 one minute increments that are comprised of 60 seconds. This equates to 3,600 seconds spent in that meeting.

DISCLOSURE

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Definitions

S&P 500 Index is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market.

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