

Financial Insight

Security For Generations



1st Quarter 2024

Time in the Market vs Timing the Market

Written by Aaron Lindberg

Your GEN team is quite proud of our disciplined rebalancing strategy and long-term investment philosophy. As a team, we were recently reviewing the benefits of sticking to a rules-based approach as opposed to letting emotions get in the way. One measure of this was identified by the folks at Fuller and Thaler and is called “the Behavioral Gap.”

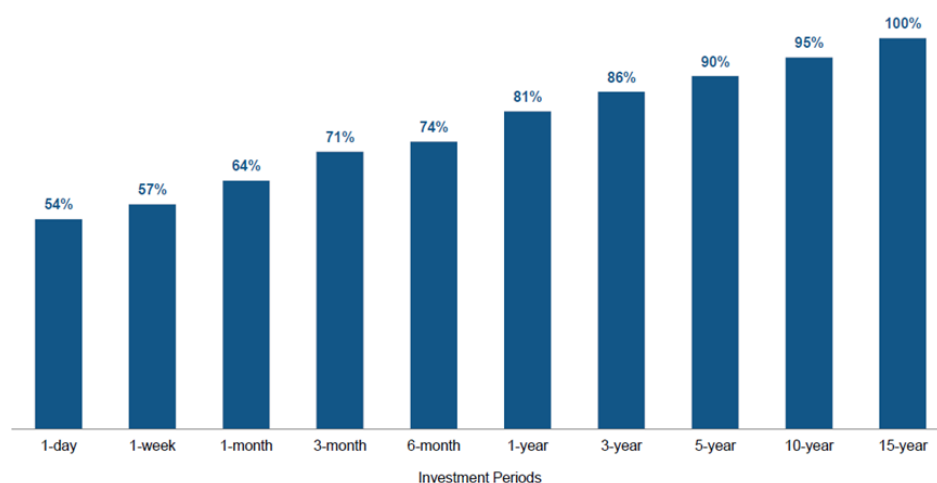
The return of the S&P 500 was 8.2% between 1995 and 2015. The average return of an investor for the exact same period was 2.1%. The difference of 6.1% is the Behavioral Gap. This loss of return was caused by investors being swayed by emotion to move in and out of the market. Unfortunately, investors tend to add the most money when markets have been doing well and are approaching a peak. They are then most likely to pull money out right when markets are near the bottom. In investors’ attempts to outsmart a buy and hold strategy, they typically end up buying high and selling low.

Another demonstration of the futility of attempting to time the market is the massively negative impact of missing just a few of the best days. If we consider the period of nearly 28 years from January 1995 through September of 2022, missing the 10 best days cuts your total wealth accumulation by more than half. To clarify, there were approximately 7,000 trading days in this period. If you invested \$1 million in the S&P 500 on 1/1/1995 and left it alone, it would have grown to \$7.8 million by 9/30/2022. If you missed just the 10 best days, the value would only be \$3.6 million. It is extremely costly to be out of the market when those best days occur.

One final illustration of the value of time in the market is shown below. The graph shows what percent of the time the



Frequency of S&P 500 Rolling Periods with Positive Returns (1969 - 2021)



S&P 500 had positive returns over different time periods. If you leave your money invested for just one day, your odds of a positive return are just better than a coin flip at 54%. If your time horizon can extend to three years, your odds of a positive return grow to 86%. Taking it to the extreme, there has never been a 15-year period where the S&P 500 didn't have a positive return. The longer your time horizon, the greater your odds of producing a gain when investing in stocks.

Charitable Giving Update

In the first quarter of the new year we always love to update you on charitable giving for the prior year. The primary types of giving we track are distributions from Donor Advised Funds (DAFs) to the end charities, gifts by GEN clients of appreciated investments, Qualified Charitable Distributions (QCDs) from IRAs, GEN corporate giving, and funds raised by GEN Children's Charity. We understand that GEN clients are generous beyond these methods, but these are trackable metrics for us. 2023 proved to be another fantastic year with giving distributed to charities in excess of \$1,250,000! This brings total tracked giving for the past four years to nearly \$5.5 million. Thank you again for allowing us to take part in your substantial and joyous generosity.

GEN Children's Charity is sponsoring our biennial golf tournament on July 15, 2024. We are excited to be raising funds for **Tandem** this year. Tandem is an amazing organization right here in Minneapolis, providing wide ranging services to mothers and children in crisis. If you have never been a part of one of our golf charity events, we would love to have you join. Sponsorship opportunities are available.

Welcome GEN's New Team Member: Serena Grunenwald

Serena is a Client Service Associate at GEN Financial Management. She values building real relationships with clients and offering prompt solutions to account maintenance requests.

Through her time at the University of Minnesota Duluth, while pursuing her degree in education, Serena found her passion for serving others. While her focus has turned from education, this passion continues to drive her within her chosen career field of finance. Serena joined our team at the start of 2024 and is excited to grow with our company.

When you ask Serena what she has been up to, you will be enlightened about the latest house project that she and her husband have started on their 1930's bungalow. You might also hear about her daughter Emilia's latest milestone, or her dog Saylor and his latest antics. In the summer months, you will find her at the Golden Valley farmers market listening to live music, and shopping for fresh produce.



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Please contact Claire Henry at claire.henry@genfinancial.com