

THE DISCIPLINE DIVIDEND: TIME VS TIMING IN MARKET INVESTING



Woody Allen once said, "Eighty percent of success is just showing up."¹

That seems like a pretty low standard. But in Allen's experience, most of the people who wish they could have a book published, a movie script produced, or an acting career, don't ever attempt it. While the people who have success in these areas gave themselves their biggest chance by simply showing up.

It turns out that a similar principle is true in investing. While a carefully-planned asset allocation is important, simply being present in global markets may have a much more significant impact on long-term returns.

Market Timing: Out Too Late, In Too Late

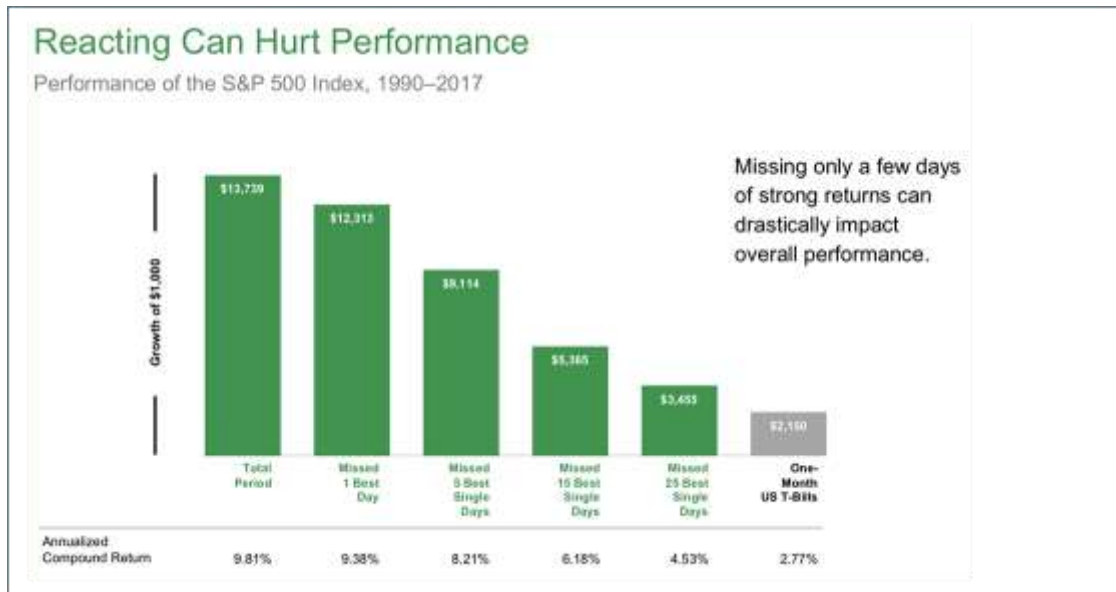
Nobody wants to be in the market on days like September 29, 2008 or February 5, 2018 when stocks appear to be in a free fall. Seemingly every headline and financial news outlet piles on, amplifying with scary graphics about how months of gains are "wiped out" in a few hours.² However, the problem with selling your investments in response to this type of volatility is that, by the time you find out about the drop, it's too late.

Even if you were watching the market minute-by-minute, it would be difficult to tell if a drop in prices was just a downtick or a sustained downturn, until you could see significant losses. So by the time many investors finally give in to the temptation and sell, it's more often closer to the next market bottom than the more recent top.

Even worse, being out of the market for any length of time can greatly increase your chances of missing unforeseen gains. These are the unexpected "best days," which sometimes occur after major losses, and can make up a significant percentage of a calendar year's returns. And over the long-run, missing just a few of the markets' best

days can be hazardous to your wealth building plans.

Potential Cost of Missing The Best Days



This graph shows a hypothetical example of returns for \$1,000 invested in the S&P 500 index from 1990-2017. You can see that the cost of missing the single best day in the period is \$1,426, 142% of your original investment. While the cost of missing the five best days is \$4,625. Missing just the 25 best days reduces the available returns by more than half! ³

The point is that out of the more than 7,050 trading days during that period, being absent for just a few of them can have a significantly negative impact on your total return. Since predicting consistently and accurately ahead of time exactly when those days will occur isn't possible, the wisest thing you can do is simply be there for all of them.

We often refer to this phenomenon as the Discipline Dividend. It's the implied return that should accompany staying dedicated to your strategy through even the scariest market conditions. After all, the risk of an unknown future is part of what we're relying on to be able to expect any return at all. So the notion that we could somehow avoid the risks but be entitled to the returns isn't just unreasonable, it appears it isn't even feasible.

Knowing the facts about staying in the market is important. But when prices are dropping and the financial media is shouting from the rooftops, head knowledge might not be a strong enough motivation. It takes uncommon discipline to stay the course.

When everybody you know is talking about selling, we can help you resist the emotions that will keep you from "showing up" and help you stick with the plan that gives you the best chance of reaching your investing and retirement saving goals.

Have a great weekend!

Source: Efficient Advisors

Golf Tip of the Week



The Long and Short of Improving Your Putts

To putt or not to putt? That's not even the question when your ball lands on the green. The question is: How do you adjust your technique to sink both the short ones (from the hole) and the long ones?

After all, short and long putts require two different styles. What makes for successful short shots usually doesn't work for the longer ones.

What's the most common mistake for putts within five feet? A careless routine, coaches say. Many players don't adequately prepare for the short putts by ensuring their feet are in the proper position to aim the putter. The best approach is to aim the putter face down the start line and then take a comfortable stance.

The big mistake for the long putts? Club grip pressure. Amateurs typically squeeze the putter too tightly, thinking the stronger grip will send the ball further. Tighter grips tend to reduce players' sensitivity for putting distances. Light grips allow golfers to gain a better feel for the swing throughout the stroke. Longer strokes—not impact speed—produce more distance.

So, think aim for the short putts and light grip for the long putts.

Tip adapted from GolfDigestⁱ

Recipe of the Week

Apple Ring and Peanut Butter Sandwiches



Serves 1

Ingredients:

1 apple
1 tablespoon peanut butter
Cinnamon

Directions:

1. Cut one cored apple so it sits flat and slice into thick rounds.
2. Spread 1 tablespoon of peanut butter on half the slices.
3. Make into sandwich with remaining slices.
4. Sprinkle with cinnamon.

Recipe adapted from Good Housekeepingⁱⁱ

Health Tip of the Week



Lose Weight on the No-Diet Diet?

Yes. You can lose weight without going on a diet.

Here are some tips:

- Set a timer for 20 minutes and eat very slowly. Savor each bite.
- Sleep more. Researchers say getting seven hours or less of sleep fires up your appetite. And you end up eating more.
- Eat more fruits and vegetables. Up your count for each meal. Don't eat just one fruit or vegetable serving per meal. Eat three or four.
- No more sweets. Cut the sugar intake. The liquid sugar in sodas, for example, doesn't register on the fullness scale, so you drink more. Add lemon or mint to fill the sweetness gap.
- Reach for the sky. With your drinking glass. Tall and skinny glasses make you think you're drinking more juice or other beverages, researchers say.
- Stay at home. Surveys show eating at home (at least five days a week) helps cut total calories.

Taking a few steps can tip the balance in your favor in the weight loss battle.

Tips adapted from WebMDⁱⁱⁱ

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Sources:

1. <http://go.efficientadvisors.com/e/91522/wiki-Woody-Allen/5lq6fl/495470879>

2. <http://go.efficientadvisors.com/e/91522/market-drops-in-history-2018-2/5lq6fn/495470879>

3. In US dollars. For illustrative purposes. The missed best day(s) examples assume that the hypothetical portfolio fully divested its holdings at the end of the day before the missed best day(s), held cash for the missed best day(s), and reinvested the entire portfolio in the S&P 500 at the end of the missed best day(s). Annualized returns for the missed best day(s) were calculated by substituting actual returns for the missed best day(s) with zero.

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ⁱ <https://www.golfdigest.com/story/two-skills-for-great-putting>

ⁱⁱ <https://www.goodhousekeeping.com/food-recipes/healthy/a47155/apple-ring-and-peanut-butter-sandwiches-recipe/>

ⁱⁱⁱ <https://www.webmd.com/diet/ss/slideshow-no-diet-weight-loss>