

Gottesman Wealth Advisory BMO Nesbitt Burns



Let's connect

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Gottesman Wealth Advisory Team newsletter

Ah, the summer is finally here. It is the perfect time to sit back and relax a little bit. However, here at the Gottesman Wealth Advisory Team, we continue to work hard managing your hard earned money and your overall wealth situation.

In the previous newsletter, I spoke about the high cost of cashing out. As the stock markets in North America continue to reach all-time highs, it is very tempting to consider “cashing out” or selling just because the markets are doing so well.

The Power of Staying Invested

As a result, I think now is the perfect time to speak again about what I feel very strongly about; namely, that moving in and out of the stock market – trying to predict the highs and lows – may cause you to miss out on potential long-term growth.

Let's take a look at the impact of missing the best one percent of days over 30 years while investing \$10,000 in the S&P/TSX Composite Price Index.

What if you missed the 4 best days of the year, every year?

Growth of \$10,000: December 31, 1988 – December 31, 2018 =
\$42,250.45

Growth of \$10,000: December 31, 1988 – December 31, 2018 (minus top 1% of days) = \$3,530.16

Source: Bloomberg Finance L.P Data

A few days can make a big difference. A considerable portion of long-term gains can be attributed to a relatively small number of good days. In this example, missing the best one percent of days dramatically reduced the end value of an investor's portfolio. As well, the best days typically come after some of the worst. An investor who sells their investment on a bad day may miss out on the good days that follow.

History has shown that after previous bear markets, equities recovered and resumed their upward trend. That's why it's important to remain focused on your long-term investment objectives. Investors who sell during bear markets may miss out on significant returns during recover periods and bull markets.

Historically, investors who remain invested during the bear markets, benefited from the recovery period and the next bull market. Stay Invested!!