

## Time to Make a Shopping List

Written by Rob Copeland  
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The stock market has been choppy for several weeks now, with the S&P 500 index down about 4% since the beginning of September. And with rising inflation, supply-chain disruptions and the fate of the infrastructure bill all weighing on investors' minds, there's no immediate turnaround in sight.

But the best thing long-term investors can do right now is to stay positive. Stocks' ups and downs are part of the reason they can be so much more profitable than bonds over extended periods. To collect what we call stocks' risk premium, we have to be patient: Over the long term, the market's rise has always made its reversals look like small road bumps.

It's human nature to get lost in short term trading. But it's long-term investing that can really make you wealthy. If you invested \$100,000 in 1999 in a conservative portfolio of 60% S&P 500 stocks and 40% bonds, and you rebalanced regularly, you would have about \$390,000 by 2021. That's an average compound annual growth rate of about 8%. And that's with you investing right at the top of the market, and going through the dot-com crash and the 2008-2009 housing meltdown.

If back in 1999 you invested only in 100% S&P stocks, with no bonds, you'd have more than \$500,000 by 2021. I'm not suggesting that you invest only in stocks—they're so volatile that you would lose an untold amount of sleep. But the point is that long-term gains tend to obliterate short-term setbacks. "Time heals all wounds" is an apt saying not just for our emotions but also for the stock market.

The fact that the market rewards the patient doesn't mean you should ignore your investment portfolio, though. It's important to manage risk by rebalancing when one asset class grows too dominant. And we should keep our eyes peeled for the opportunities that market volatility can provide.

No one can say with certainty where the market will go from here. But stocks have gone more than 13 years without a major correction, so a pullback of 10% or more would not be surprising. But rather than panic selling, which is the worst thing you can do, long-term investors should make a shopping list of stocks with great 10-year outlooks. When the market drops, those stocks will be available at a discount. That allows you to buy more shares, which will amplify future returns.

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Especially during tricky periods like this, it pays to have the guidance of an experienced advisor, one who's been through numerous corrections and crashes. Such an advisor can help you avoid self-sabotaging decisions and point you toward promising opportunities. Don't hesitate to reach out if you'd like to discuss your investments with us.