FOCUS ON: INVESTING

Time in the Market vs Timing the Market

by LAURUS ASSOCIATES
CHARTERED FINANCIAL PLANNERS

Research shows that those who stay invested over the long-term in a well-diversified portfolio will generally see better returns than those who try to profit from turning points in the market. But why?

Time in the market refers to a **buy and hold** strategy, where individuals hold their investments over the long-term, regardless of market fluctuations.

Alternatively, timing the market refers to a **buy and sell** strategy, where an investor aims to predict market movements by investing at a low price, and selling at a high price. This means that the investor must closely follow market movements.

ADVANTAGES & DISADVANTAGES

Time in the Market

+ Does not require constant focus on market movements
+ Potential for higher long-term returns and growth
-- Takes time to see growth
-- Requires long-term capital investment thus reduces access to cash

Timing the Market

+ Opportunity to take advantage of short-term price movements and limit losses
-- Frequent transactions may incur costs
-- You must have a constant focus on market movements

Markets are largely unpredictable and are driven by a large number of economic and political factors. Market timing is therefore difficult.
Staying invested, rather than frequently moving in and out of markets, can help to keep costs low and create more potential for long-term returns from a diversified mix of investments.
Take a look at the table below which demonstrates the impact of a long-term buy and hold strategy...

What a £1,000/$1,000 sum invested in 1988 could be worth now

Schroders

Index	Invested the whole time	Missing the 10 best days	Missing the 20 best days	Missing the 30 best days
S&P ($)	$31,223	$14,304	$8,443	$5,366
FTSE100 (£)	£15,104	£7,503	£4,706	£3,100
FTSE250 (£)	£27,155	£15,047	£9,661	£6,651
FTSEAS (£)	£15,627	£8,042	£5,169	£3,504

Source: Schroders. Data correct as at 23 August 2022.
Past performance is not a guide to future performance. Values shown for each index are total returns, which includes dividends and share prices, between 4 January 1988 and 30 June 2022.

ADMIN@LAURUSASSOCIATES.CO.UK | 0191 281 1234 |
WWW.LAURUSASSOCIATES.CO.UK