WEALTH INSIGHTS

Fall 2018

Buy low and sell high. It sounds so easy. Surely anyone who follows the market's latest gyrations and stays abreast of economic and earnings news can anticipate and capitalize on these movements, right?

Wrong. In fact, as history has shown – over and over – trying to time the market is a losing game. Much research has been done on the topic. Stock market theorists and academics – including industry heavyweights William Sharpe, Benjamin Graham and John Bogle – have all come to the same conclusion: Trying to beat the market by timing its ups and downs is a roll of the dice.

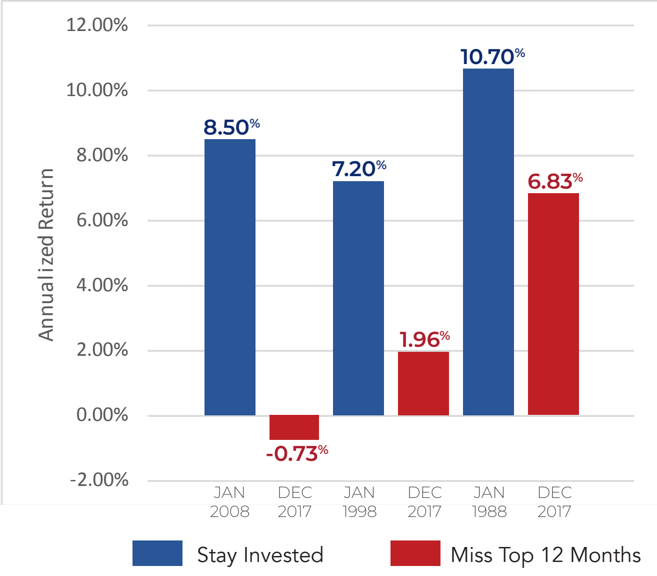
Even the experts cannot predict consistently the market's random walk. A landmark study by CXO Advisory Group tracked over 4,500 forecasts between 2000 and 2012 of 28 well-known market timing gurus. The study showed that only 10 were able to predict accurately over 50% of the time, and that none were able to predict accurately enough to make the strategy consistently outperform the market.

The simple truth is that nobody can guess the market correctly over time. Or, as John Bogle put it, "I not only have never met anyone who knew how to do it, I've never met anybody who had met anybody who knew how to do it."[2] Some can make a good call now and then; others may even time both top and bottom in a given market cycle. But over the long run, the law of averages – reversion to the mean – will eventually win out, effectively rendering a market timing strategy a game of chance.

There is also human nature to factor in. People tend to sell in a panic at the bottom and buy in a flush of confidence at the top. Behaviors such as loss aversion, overconfidence, anchoring, and avoidance all enter into buy/sell decisions, adding emotion into what is already a chance call.

And even if you correctly guess a good time to sell, when do you get back in? With rates on liquid, short-term investment vehicles still hovering near historic lows, the opportunity cost of staying out of the market can be significant.

The Effect of Missing Top Performance Periods for Stocks, Past 30 Years[3]



This chart shows how returns might have been affected by missing the 12 top-performing months during 10-, 20-, and 30-year periods, assuming that investment performance mirrored the performance of the S&P 500 index. For example, for the 10-year period from January 2008 to December 2017, missing the top 12 months could have reduced an investor's annualized return by over nine percentage points.

For each holding period shown, investors who remained invested for the entire period might have achieved higher returns than those who tried to time the market and missed, although past performance is no guarantee of future results.

So if you find yourself tempted by a market timing strategy, think again. Instead follow a well-coordinated investment strategy that is based on your personal risk tolerance and time frame. Or, consider a regular investing strategy such as dollar-cost averaging (DCA).[4]

A Systematic Investing Strategy

The idea behind DCA is a simple one: Instead of trying to "time the market" – and potentially buying or selling at the wrong time – you invest a set amount of money at regular intervals. This means that you automatically buy more shares when prices drop and fewer when prices rise. When you compare the higher and lower share prices you've paid over time with the number of shares you've accumulated, you may see an interesting trend develop: The average cost per share may be lower than the average price per share.

DCA puts the decision of when and how much to invest on autopilot. Since your investment moves are consistent and automatic, it helps you ease into investing, eliminating much of the guesswork, while potentially letting the market's short-term price fluctuations work in your favor.

Although DCA cannot guarantee a profit or protect you from losses, it may help you avoid the temptations of market timing.

Footnotes/Disclaimers

1. Index Fund Advisors, Inc. (IFA.com), 2014. Based on a study by CXO Advisory, copyright: CXO Advisory Group LLC. http://www.ifa.com/12steps/step4.

2. "Calming Words for Troubled Times," money.cnn.com, last modified April 28, 2008.

3. Source: ChartSource®, DST Systems, Inc. For the period from January 1, 1988, through December 31, 2017. Based on the total returns of the S&P 500 index. It is not possible to invest directly in an index. Indexperformance does not reflect the effects of investing costs and taxes. Actual results would vary from benchmarks and would likely have been lower. Past performance is not a
guarantee of future results.

4. Dollar-cost averaging involves regular, periodic investments in securities regardless of price levels. You should consider your financial ability to continue purchasing shares through periods of high and low prices. This plan does not assure a profit and does not protect against loss in any markets.

news brief

Over the last 20 years, **the average investor has achieved a scant 2.3% annualized return as compared to nearly 7% in a 60/40 stock/bond portfolio**, thanks in part to badly timed (and often emotionally driven) investment decisions.

Diversification does not guarantee investment returns and does not eliminate the risk of loss. Diversification among investment options and asset classes may help to reduce overall volatility.

Source: DALBAR's 22nd Annual Quantitative Analysis of Investor Behavior. 303 Congress St., Boston, MA 02210, www.dalbar.com: DALBAR Inc.; 2016.

Our Promise To You - Objective Financial Guidance:

Planning for your financial future is one of the most important things you will ever do, so having access to resources and objective guidance from a trusted partner can be invaluable.

Ixonia Wealth Management has the flexibility to offer access to a wide range of non-proprietary products and services, which means you receive comprehensive financial guidance and an assurance that your best interests come first.

Meet with an LPL Financial Advisor with Ixonia Wealth Management

Go to **ixoniabank.com/Schedule-an-Appointment** to schedule a no-obligation consultation

Registered LPL Financial Offices

Hartland - *at Ixonia Bank*
3201 Village Square Drive | Hartland, WI 53029

Jan Grimm, *LPL Financial Advisor*
262-569-3699 | jan.grimm@lpl.com

Watertown - *at Ixonia Bank*
109 Oakridge Court | Watertown, WI 53094

Jeff Taylor CFP®, *LPL Financial Advisor*
920-262-2298 | jeffrey.taylor@lpl.com

Ixonia Wealth Management