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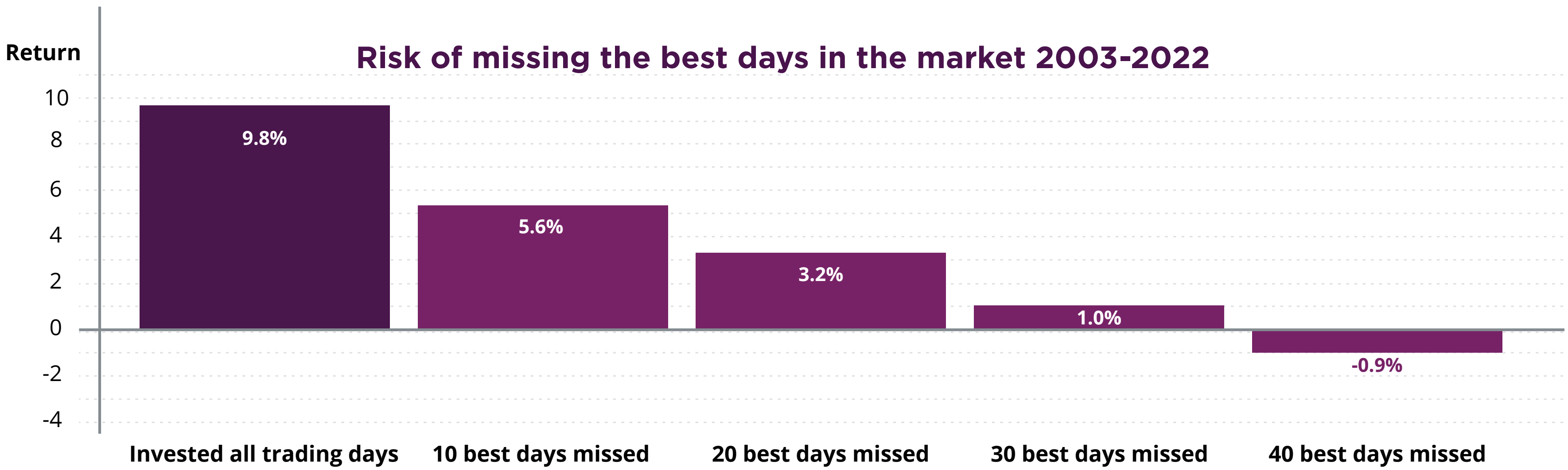
The Cost of Market Timing

Building and protecting what you've earned is critical to achieving your goals, but it is impossible to time the market perfectly. Incorrectly timing the market can come with a high cost: when the market unexpectedly performs well, an investor may miss some of the best-performing trading days. If you attempt to time the market, short-term market fluctuations may prevent you from achieving your long-term goals.



Source: Morningstar. Past performance is no guarantee of future results. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. Stocks in this example are represented by the S&P 500 Total Return Index, with return data from January 1, 2003 through Dec. 31, 2022. The data assumes reinvestment of income and does not account for taxes or transaction costs.

Why? Put simply, it's hard to stay disciplined in your investment approach when the market is volatile. We have an innate tendency to want to buy when markets are good and sell when markets are bad. This actually minimizes return potential, as investments would be bought when they're most expensive and sold when they're worth less. In other words, trying to time the market may ultimately cost you more than staying invested.

That's where your Avantax advisor comes in. Many fundamental concepts of long-term investing rely on buying an underperforming asset and selling an asset that's performing well. In fact, when markets underperform, you can acquire more of an asset for a lower price, which better positions you for when the market goes back up. Trying to time the market means you'd miss out on opportunities like this.

Remember: it's not about timing the market; it's about time in the market. Your investment decisions should be based on your unique needs and goals, not your ability to time the market. Contact your Avantax advisor for help in determining which investments may be right for you.

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