MONEYWISE
WEALTH MANAGEMENT

The Risks of Market Timing

First, Remember Why You Invest

If you're like most investors, you began your investment program with the intent of achieving any number of goals, some long-term, others shorter-term — such as enjoying a comfortable retirement, sending your children to college, buying a second home or supporting your current lifestyle.

You have invested in stocks and bonds to steadily build and preserve wealth over decades. Your long-term strategy did not include trying to jump in and out of the market based on its short-term performance.

Besides, brief, explosive spurts of volatility, both positive and negative, is the norm. But an impulsive investor who abandoned the market during one or more of its sharp downturns may have missed the strong, ensuing rebounds.

Second, Understand The Risk Of 'Market Timing'

When it comes to investing, what's the biggest risk of all? Market risk? Company risk? Interest-rate risk? Credit risk? Inflation risk?

No, for many investors, the biggest risk is, quite fundamentally, the risk of losing money.

Nobody ever got on a rollercoaster expecting a level ride.

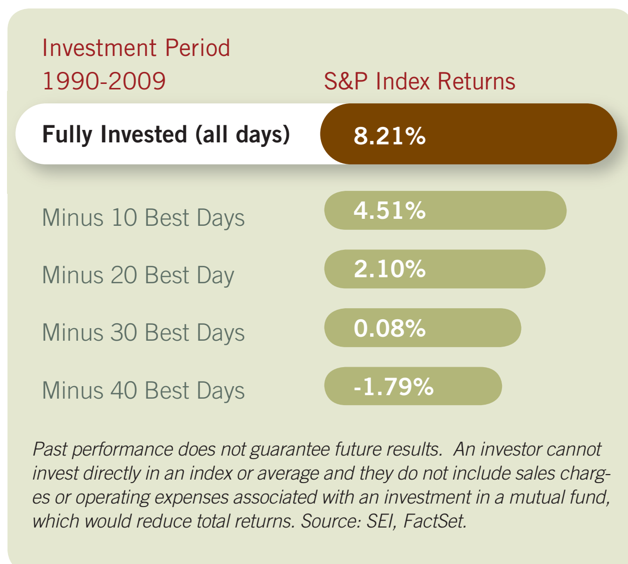
It's the same with investing. Over long periods of time, the financial markets can be remarkably steady but in the short run, sharp spikes in security prices can be the norm.

This volatility suggests that the market can't seem to make up its mind, triggering a bumpy ride for investors – some of whom may be tempted to pull out of stocks and wait for the market to regain its footing.

But is moving assets from your current portfolio to what you think is more stable, "safer" investments really a good idea? Amid such uncertainty, what can you do to keep your cool and avoid making potentially costly, emotionally-driven decisions?

And because losing money can provoke a powerful, visceral reaction, some investors turn to market timing: buying or selling a security based on future price predictions.

A Few Days Can Make a Big Difference



Past performance does not guarantee future results. An investor cannot invest directly in an index or average and they do not include sales charges or operating expenses associated with an investment in a mutual fund, which would reduce total returns. Source: SEI, FactSet.

But choosing when to invest, or "time" the market, is difficult. Investors who attempt to time the market may run the risk of missing periods of exceptional returns.

While market movements are difficult to predict, there are a number of potential catalysts that could point to a more positive direction. Missing that move could be costly, as shown in the chart above. Using the S&P 500 as a proxy for the domestic equity market, if an investor missed just the best ten days during a 20- year period, half of the profits would be lost. Missing the best 20 days took away three quarters of the profit. Missing the best thirty days reduced the profit to just 0.8%, and missing the best 40 days resulted in a loss.

Clearly, market timing can seriously diminish long-term performance, if market volatility isn't managed properly. On the other hand, volatility provides investors with the opportunity to buy stocks and stock mutual funds at attractive prices.

As a financial professional, I am committed to…

- Making a point of knowing you and knowing your individual investment needs
- Helping you avoid making emotion-driven mistakes in turbulent times
- Always being available to consult with you, in good markets and rough markets

Together we will create your personalized investment strategy — with an emphasis on managing risk, and designed to produce relatively consistent results in various market environments.

Moneywise - Wealth Management
8800 Stockdale Hwy, Suite 100
Bakersfield, CA 93311
www.MoneywiseGuys.com
(661) 847-1000

*Securities offered through SCF Securities, Inc. - Member FINRA/SIPC
Investment Advisory Services offered through SCF Investment Advisors, Inc.
155 E. Shaw Ave. Suite 102, Fresno, CA 93710
(800) 955-2517 Fax (559) 456- 6109
SCF Securities, Inc. and Moneywise Wealth Management are not affiliated*

Diversification does not eliminate the risk of experiencing investment losses.
Index returns are for illustrative purposes only and do not represent actual fund performance. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged; an investor cannot invest directly in an index. Past performance does not guarantee future results.

This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results.

SEI Investments Management Corporation (SIMC) is the adviser to the SEI Funds, which are distributed by SEI Investments Distribution Co. (SIDCo) SIMC and SIDCo are wholly owned subsidiaries of SEI Investments Company. Neither SEI nor its subsidiaries are affiliated with your advisor.

Carefully consider the investment objectives, risk factors and charges and expenses before investing. This and other information can be found in the Funds' prospectuses, which may be obtained by calling 1-800-DIAL-SEI. Read it carefully before investing.

There are risks involved with investing, including loss of principal. Current and future portfolio holdings are subject to risks as well.

©2010 SEI