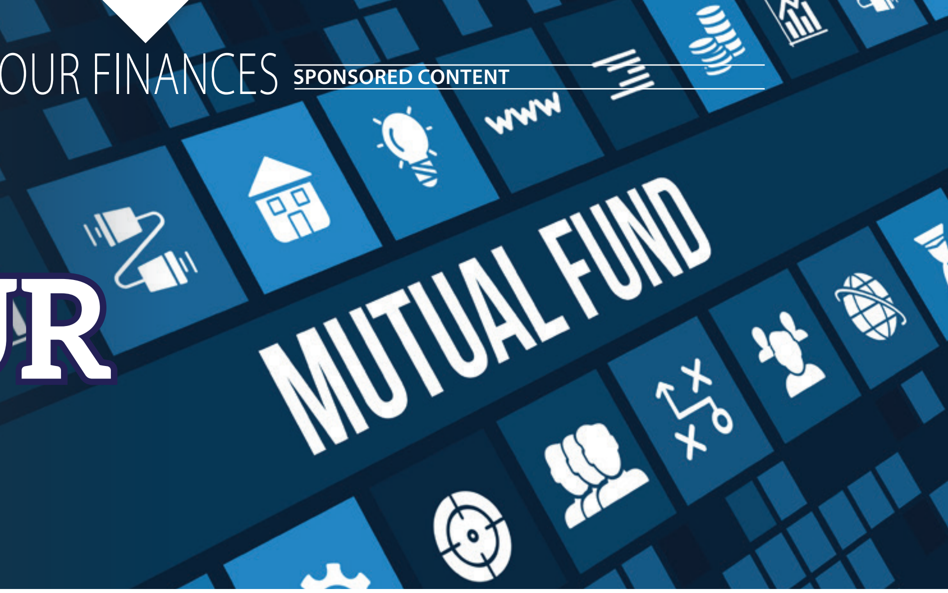
TIME *IS* ON YOUR SIDE



In 1964, the Rolling Stones sang, "Time is on my side, yes it is ....." And the song continued with, "You'll come runnin' back to me ....."

When it comes to investing, time is on your side. The longer you remain invested, the greater your chances for success.

The worst 10-year return for the S&P 500 (all stocks) ended in 1938. The average annual return for that 10-year period was -1.7%. The second worst 10-year return for the S&P 500 ended in 2008. The average annual return was -1.4%.

Investing your money into a single stock can result in a capital loss if that company should fail. Ask anyone who owned shares in Enron or WorldCom a few years ago. Of course, the rewards can be great, particularly if you take a buy-and-hold strategy over a long period of time. Imagine if you had bought Amazon in 1997—a $2,000 investment then would be worth almost $1 million today.

Back in the 1940s and 1950s, the small percentage of Americans who had the wherewithal to invest bought individual stocks and accepted the risk and reward associated with those securities. They could also purchase individual bonds, but it was more difficult to diversify back then.

In the 1960s and 1970s, mutual funds along with 401(k) pension and profit-sharing plans began to emerge as popular investment vehicles. The mutual fund concept opened up investment opportunities for the masses and provided a great way to diversify one's assets since a mutual fund typically contained hundreds of stocks and/or bonds.

Today, a great majority of Americans consider themselves to be investors even if they are putting only a small amount of money into their 401(k) plan at work. The risk of losing money has been greatly reduced with mutual funds and broad diversification.

If you go all the way back to 1937, the worst 10-year period for a diversified portfolio consisting of 50% in equities and 50% in fixed income was just over 2% per year according to Ben Carlson, CFA. This is amazing when you consider the crash during the Great Depression, which saw stocks drop nearly 90% from top to bottom. Even with those enormous losses and one of the worst US economic contractions in history, a diversified portfolio still gave investors positive returns over a decade. Of course, an investor had to resist the temptation to sell at the bottom.

The key to successful investing today then is proper diversification, time, and patience. It may take quite a while to build a significant nest egg, but once you do, it may grow exponentially.

We know the market will fluctuate up and down, but if you don't sell when the market is down, you won't lose. There are no guarantees, but if history is any indication the market will recover and come back.

Warren Buffett once said, "The stock market is designed to transfer money from the active to the patient." Here is a case in point: In 2008, if you were active and sold US stocks when the market was down over 50%, you probably lost. But if you were patient and stayed the course, US stocks rallied, and now the market is up about 275%.

You might be older and think you do not have time on your side. But with expanded lifespans due to medical technology and healthier lifestyles, people are living longer and longer. Kirk Douglas is 102. As C.S. Lewis wrote years ago, "You are never too old to set another goal or to dream a new dream."

The longer your time horizon, the lower your risk, and the greater possibility of success. You should always invest wisely based on your personal financial goals, diversify your assets, and most importantly, be patient. If an investment sounds too good to be true, it's probably not a good choice. The road to financial failure is cluttered with get-rich-quick schemes.

The Rolling Stones are still performing today—53 years after first recording the song, "Time is On My Side." Time has certainly been on the side of the Rolling Stones. And time will be on your side if you think long term when it comes to your investments.

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