How did the stock market do today? Up? Down? Stayed the Same?

How did the stock market do over your lifetime? It was most definitely up!

Turn on the morning news and there is a good chance that you will hear a report about how the stock market is performing at the moment. Today, June 9th, 2016, as of 9:46am PST, the Dow Jones is currently down 0.32% just under the 18,000 mark. The Nasdaq Composite is down slightly more at 0.51% and the S&P 500 down 0.38%.

<u>What does any of this mean to the average investor? Nothing!</u>

Each of these major indices (Dow Jones, S&P 500, and NASDAQ) measures the performance of different companies in different ways. For this piece, when we use "stock market", we are limiting our focus to the S&P 500 since it is a broad index of 500 companies of various sizes and industries.

If asked, "How is the stock market doing?", how would you answer? I spoke to someone yesterday and they told me that the market was down the past year. How did they make that determination? Did they actually look at performance over the year or did they make a generalization?

Using the information that we take in from the media, articles, friends and family, etc., we form an idea. To fill in the gaps, our mind makes generalizations with the information available to best complete the picture. Based on the information that this client had taken in, they made the determination that because the market had been down most recently that it was down overall for the year. Psychologists call this "recency effect."

Looking at the chart below which tracked the S&P 500 from June 9, 2015 over **<u>1 year</u>** to today, we can see that we are almost exactly where we were a year ago. We can see two large drops in the market (which were likely talked about by the media), but overall the market returned to where it started.

Let this illustrate an important point, <u>in the short term, the stock market is a volatile and large changes can take place. To understand where we are in the market, we have to know where we started.</u>

What about over **2 years**? Looking at the chart below which begins 2 years ago, we see that the S&P 500 is much higher today than where it was in 2014. Actually, it has gone up around 161 points or 7.6%. While we see 4 significant drops in the market, the market came back and continued higher.

Let's keep this going to **5 years.** Back on June 9, 2011, the S&P 500 was near 1,250. We see several points where the market went down in the short term; however, we have steady increasing performance. This best exemplifies that the news media do not discuss the overall performance of your portfolio. Your investing goals are likely long term and we should keep our focus long term: continually reminding ourselves that positive returns exist in the stock market if we keep out of our own way and keep out of fear in the short term.

What about including the “Crash in 2008”? Going back **10 years** to 2006, the S&P 500 was right where it was 5 years ago at 1,250. If you stayed invested between 2006 and 2011 after the “crash”, you would be right about at the same place. Due to fear, lack of information, uncertainty, family/friend “experts”, etc., people get out of the market at the worst time. They sell when they should be staying put, if not buying more stock, and they buy when everyone else is buying.

By waiting out the down markets and understanding the fundamentals, we want you to recognize that YOU will be better off in the long run if you can stay out of your own way.

Let’s finish this off with an image of the S&P 500’s performance over the past 30 years. Were there big drops during the period? Absolutely! Did account values go down? Of course! Did they lose money? Not if they didn’t sell during the down periods and held on. If investors stayed the course, continued contributing to their retirement and/or investment portfolios, they would be much better off than where they started!