Debunking Investing Myths

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About this deck:

This deck explores common investing misconceptions, backed by data and actionable insights to help inform better financial decisions. Looking for a PowerPoint version of this deck? **Download it here**.

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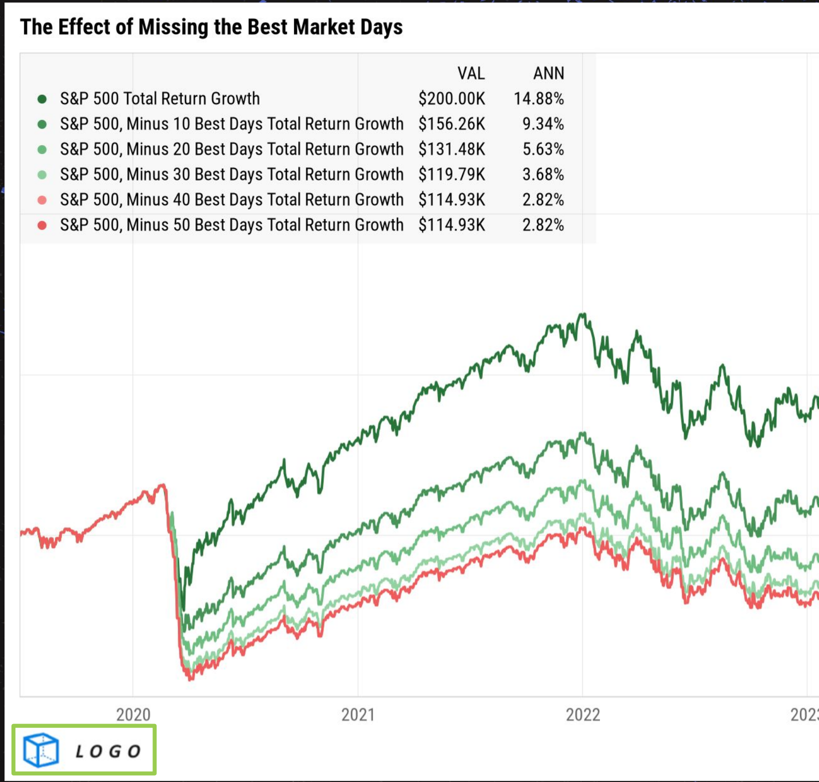

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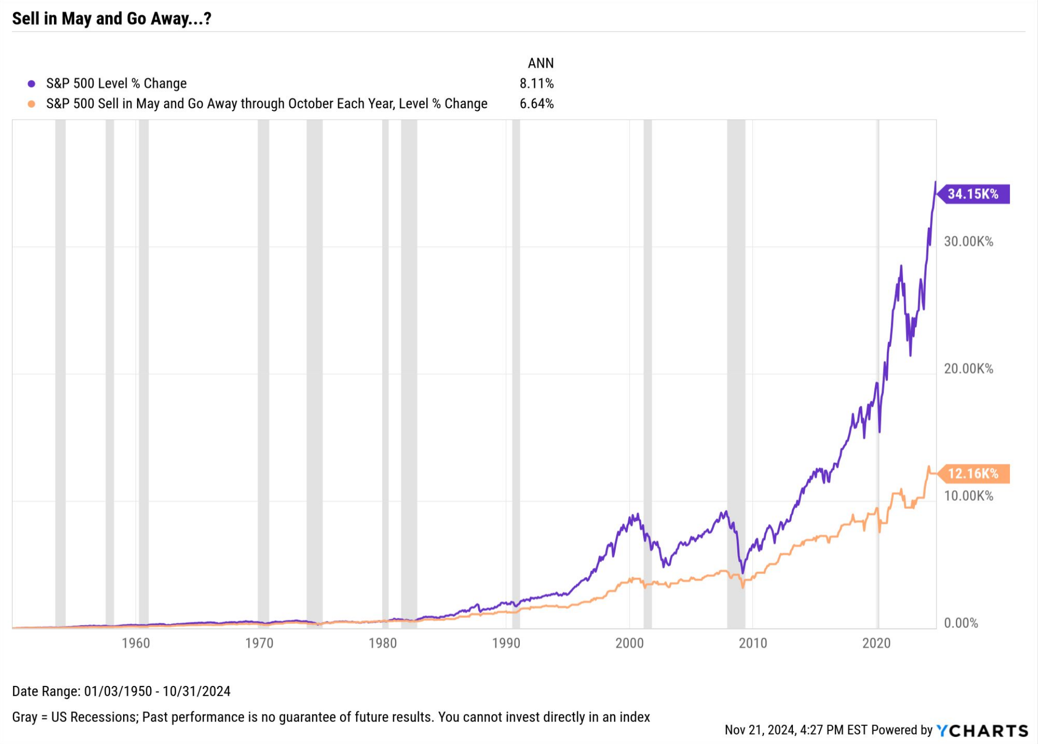
Table of Myths

Select a myth to navigate directly to its slide

“Sell in May and Go Away”

This seasonal adage claims markets underperform during summer months, but historical data consistently disproves this notion.

Sell in May and Go Away? **Average S&P 500 Returns** *Since 1950. through Oct 2024*	
January	1.02%
February	-0.06%
March	1.10%
April	1.49%
May	0.39%
June	0.14%
July	1.13%
August	0.06%
September	-0.63%
October	0.78%
November	1.85%
December	1.50%



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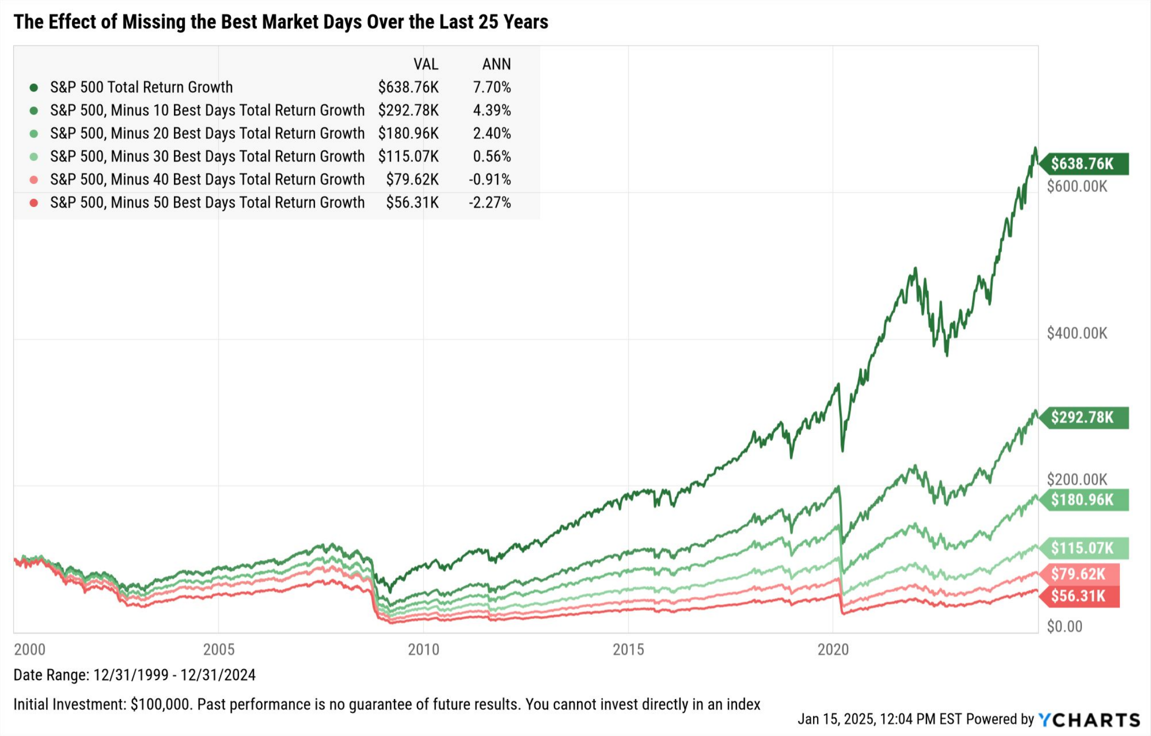
"Market Timing is Key to High Returns"

Many believe timing is key, but missing just a few top-performing days significantly impacts long-term returns.



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Annualized returns over the last 25 years, when missing the best...

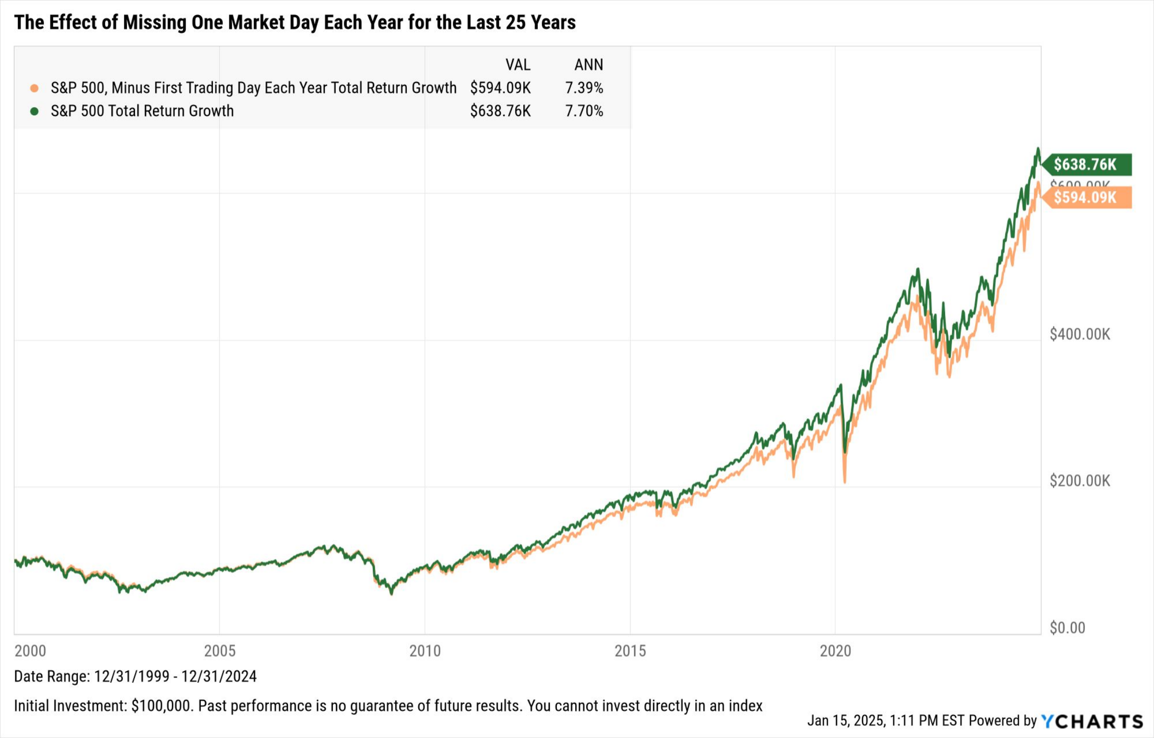
- 0 days: 7.70%
- 10 days: 4.39%
- 20 days: 2.40%
- 30 days: 0.56%
- 40 days: -0.91%
- 50 days: -2.27%

Missing just the 10 best market days over 25 years cuts returns nearly in half.

Staying fully invested ensures you maximize long-term growth potential.

“Market Timing is Key to High Returns” (cont.)

Missing even a single day each year can significantly impact portfolio performance over time.



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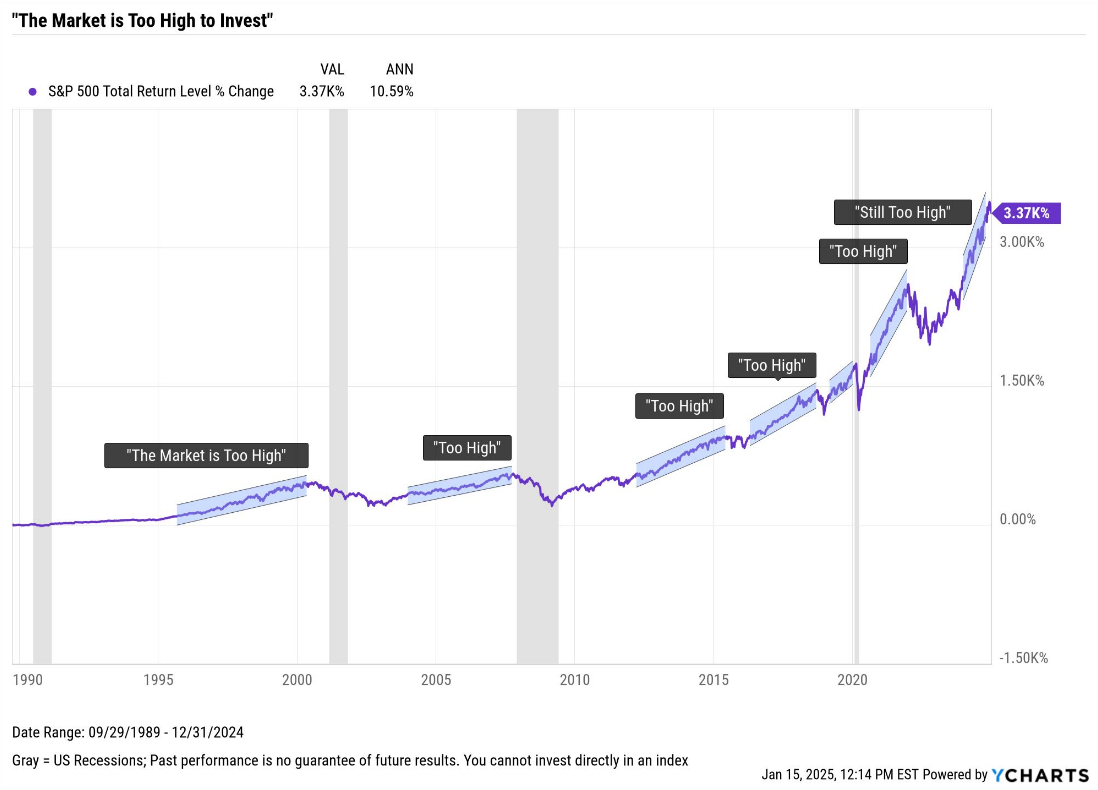
Even brief periods of being out of the market can significantly impact long-term portfolio returns.

Staying consistently invested is critical to maximizing growth and avoiding the compounding effects of missed opportunities.

“Now is the Wrong Time to Invest”

Timing the market risks missed gains. Data proves staying invested beats emotional decisions.



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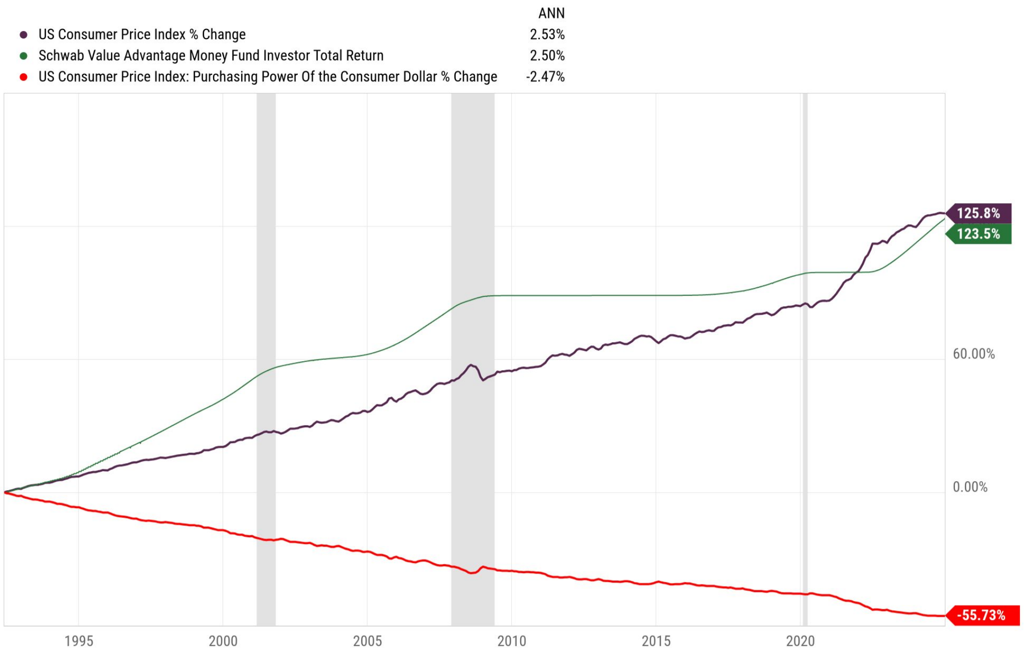
"Holding Cash is Better Than Investing"

Holding cash feels safe, but inflation erodes its purchasing power.

Money Market Fund vs. Cash Purchasing Power



Date Range: 05/31/1992 - 12/31/2024

Gray = US Recessions; Past performance is no guarantee of future results. You cannot invest directly in an index

Jan 15, 2025, 12:29 PM EST Powered by YCHARTS

Investing cash in a money market fund can help mitigate the effects of inflation, but it doesn't generate significant growth.

Over time, uninvested cash loses value due to diminished purchasing power.

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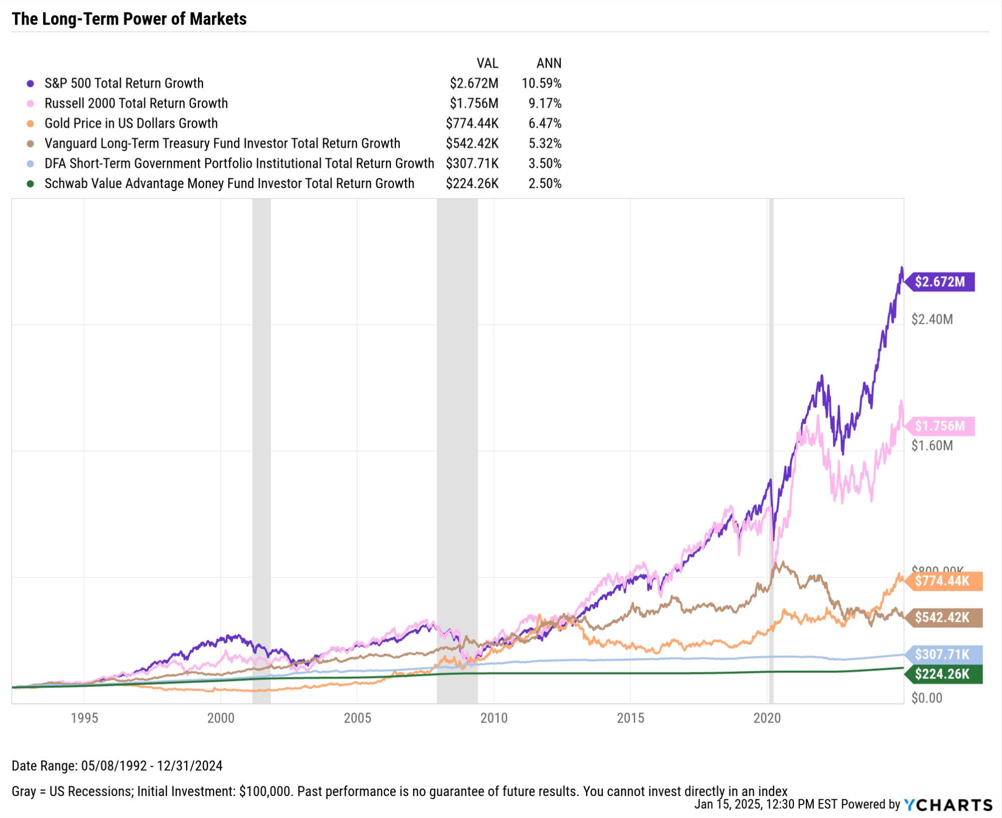
“Holding Cash is Better Than Investing” (cont.)

Over time, investing typically outperforms cash savings, especially after inflation.



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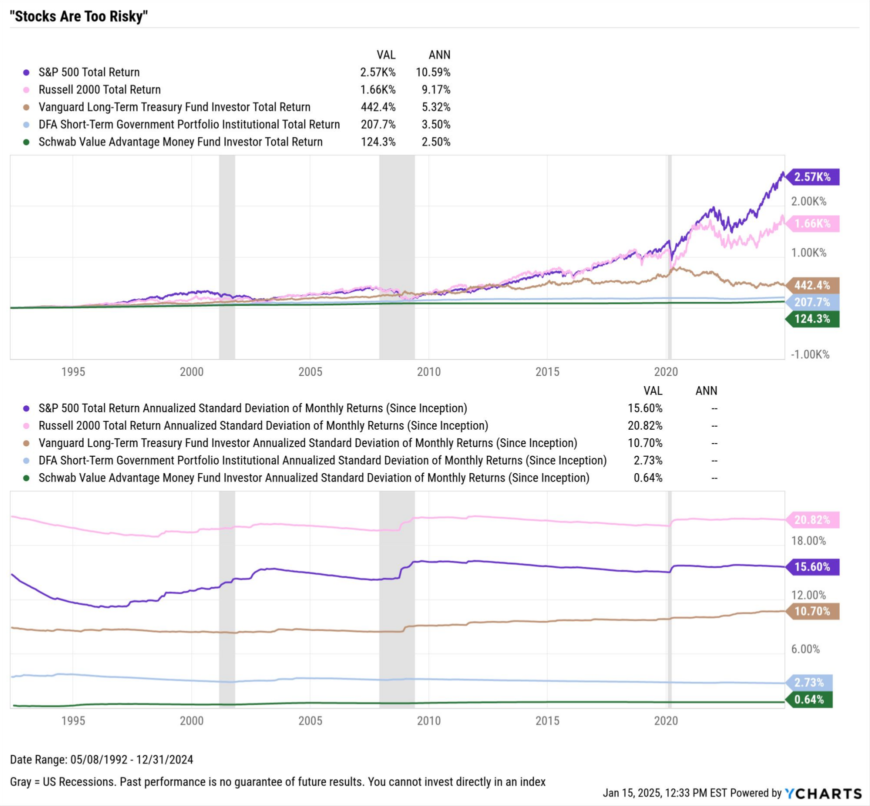
Investing in growth assets far outpaces cash savings in the long term.

Growth of an initial $100K investment in 1992 through 2024:

- S&P 500: $2.672M
- Russell 2000: $1.756M
- Gold: $774.44K
- Long-term Bonds: $542.42K
- Short-term Bonds: $307.71K
- Money Market: $224.26K

“Stocks Are Too Risky”

Volatility is often misunderstood as excessive risk. Over time, volatility may lead to growth potential.



Equities carry higher levels of risk/reward than bonds or cash. While standard deviation of the S&P 500 is about 50% higher than long-term treasuries, annualized return of the U.S. stock index is almost double that of the long-term fixed income fund.

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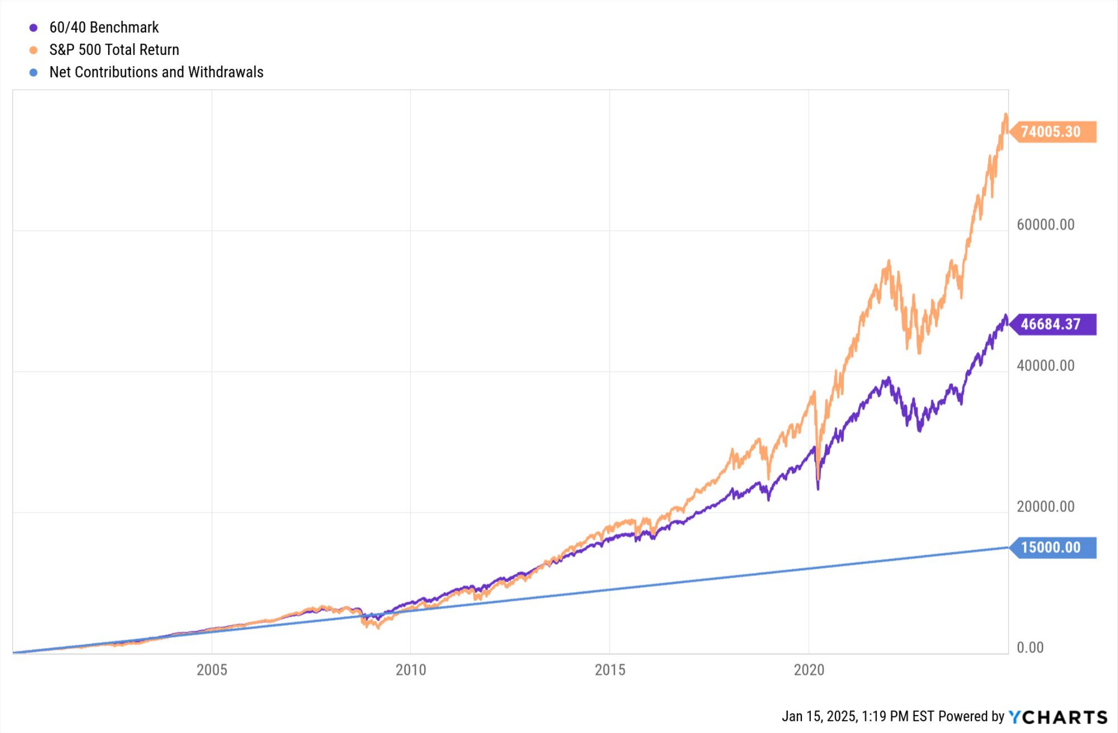
“Investing is Only for the Rich”

The power of compounding can grow small, regular investments over time, making investing accessible to a wide range of income levels.



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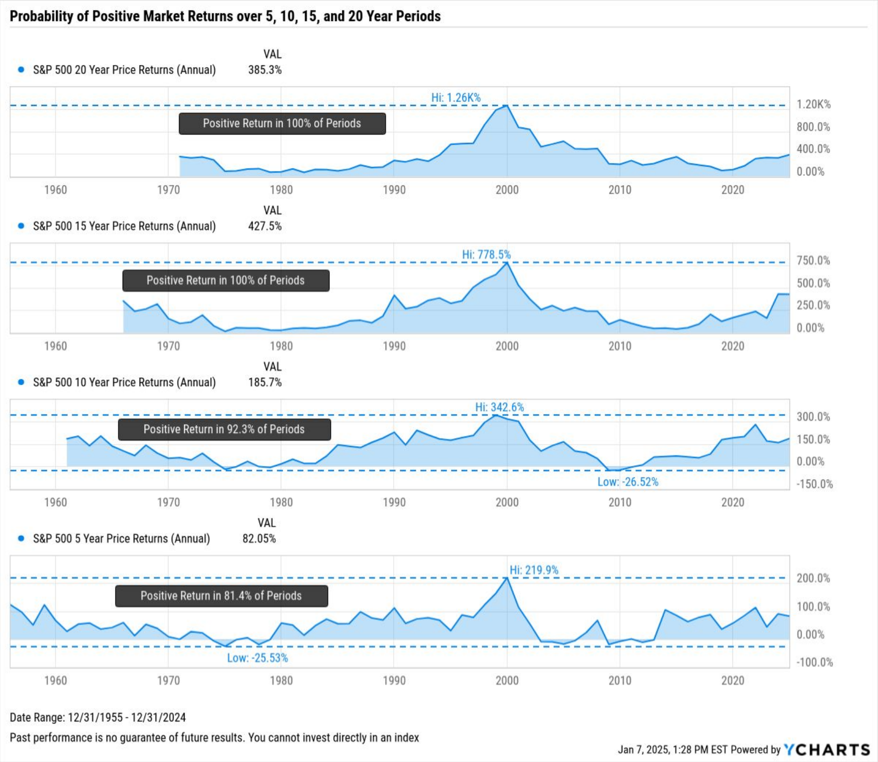
By investing just $50 a month for the last 25 years, you would contribute a total of $15,000.

The power of long-term investing can grow that $15,000 into $46,000 with a 60/40 portfolio.

If the same $50 monthly contributions were invested in an all-S&P 500 portfolio, your total would grow to more than $74,000 — almost 5x your original investment.

“Investing is Like Gambling”

Unlike gambling, which relies on chance, investing is about compounding growth and has historically rewarded long-term commitment with positive returns.



Probability of Winning Casino Games:

Craps: ~50%

Blackjack: ~49%

Roulette: ~47% to 49%

Baccarat: ~44% to 46%

Source: Action Network

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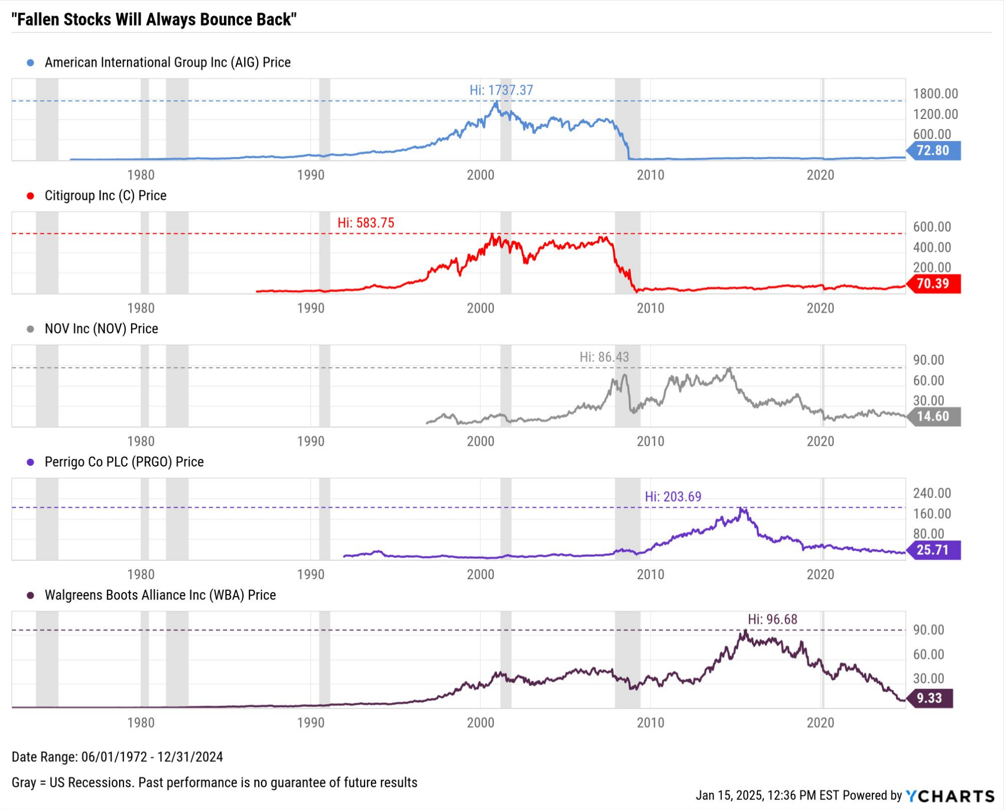
"Fallen Stocks Will Always Bounce Back"

Contrary to the belief that they must rebound at some point, some stocks might never recover.



AIG -95.8% below all-time high

C -87.9% below all-time high

NOV -83.1% below all-time high

PRGO -87.4% below all-time high

WBA -90.4% below all-time high

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"The More You Own, The Better Diversified You Are"

Rather than just increasing holdings, true diversification reduces concentration risk without increasing overlap.

Sector ETFs Portfolio Holdings

1-25 of 529 Securities

Symbol	Name	% Weight
XOM	Exxon Mobil Corp	2.25%
AMZN	Amazon.com Inc	2.16%
META	Meta Platforms Inc	1.88%
CVX	Chevron Corp	1.52%
LIN	Linde PLC	1.48%
TSLA	Tesla Inc	1.37%
AAPL	Apple Inc	1.34%
NVDA	NVIDIA Corp	1.28%
BRK.B	Berkshire Hathaway Inc	1.26%
MSFT	Microsoft Corp	1.18%

Broad Index Portfolio Holdings

1-25 of 2879 Securities

Symbol	Name	% Weight
AAPL	Apple Inc	4.88%
NVDA	NVIDIA Corp	4.63%
MSFT	Microsoft Corp	4.37%
BISXX	BlackRock Cash Funds Instl SL Agency	3.66%
AMZN	Amazon.com Inc	2.51%
META	Meta Platforms Inc	1.80%
GOOGL	Alphabet Inc	1.45%
BRK.B	Berkshire Hathaway Inc	1.24%
GOOG	Alphabet Inc	1.21%
AVGO	Broadcom Inc	1.13%

Sector ETFs Model Portfolio: 9.09% allocation to each of the 11 SPDR® Select Sector ETFs
529 total holdings; 15.72% in Top 10 Holdings

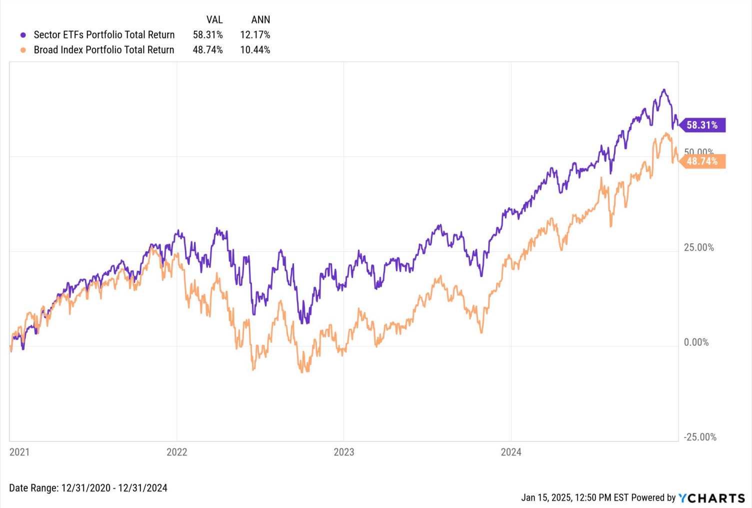
Broad Index Model Portfolio: 16.666% allocation to each of IWD, IWF, IWN, IWO, SPY, OEF
2,879 total holdings; 26.88% in Top 10 Holdings

“The More You Own, The Better Diversified You Are” (cont.)

Excessive overlap can reduce returns and increase the severity of drawdowns.

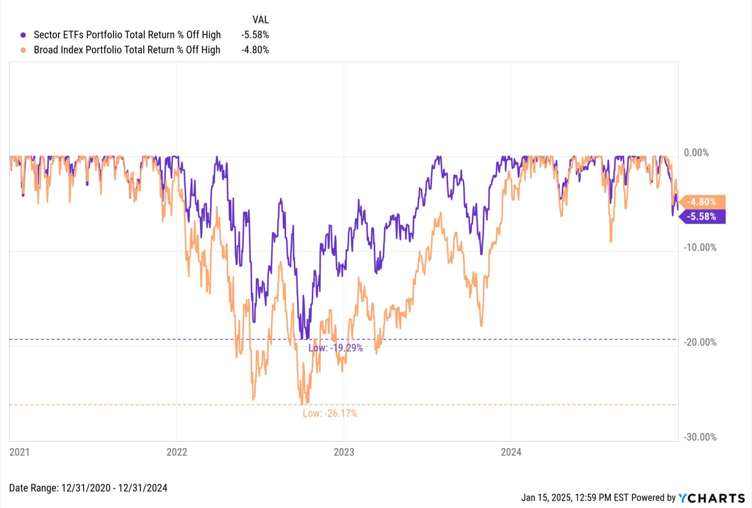
“Sector ETFs Portfolio” with 529 total holdings:
12.17% annualized return since 2021

“Broad Index Portfolio” with 2,879 total holdings:
10.44% annualized return since 2021



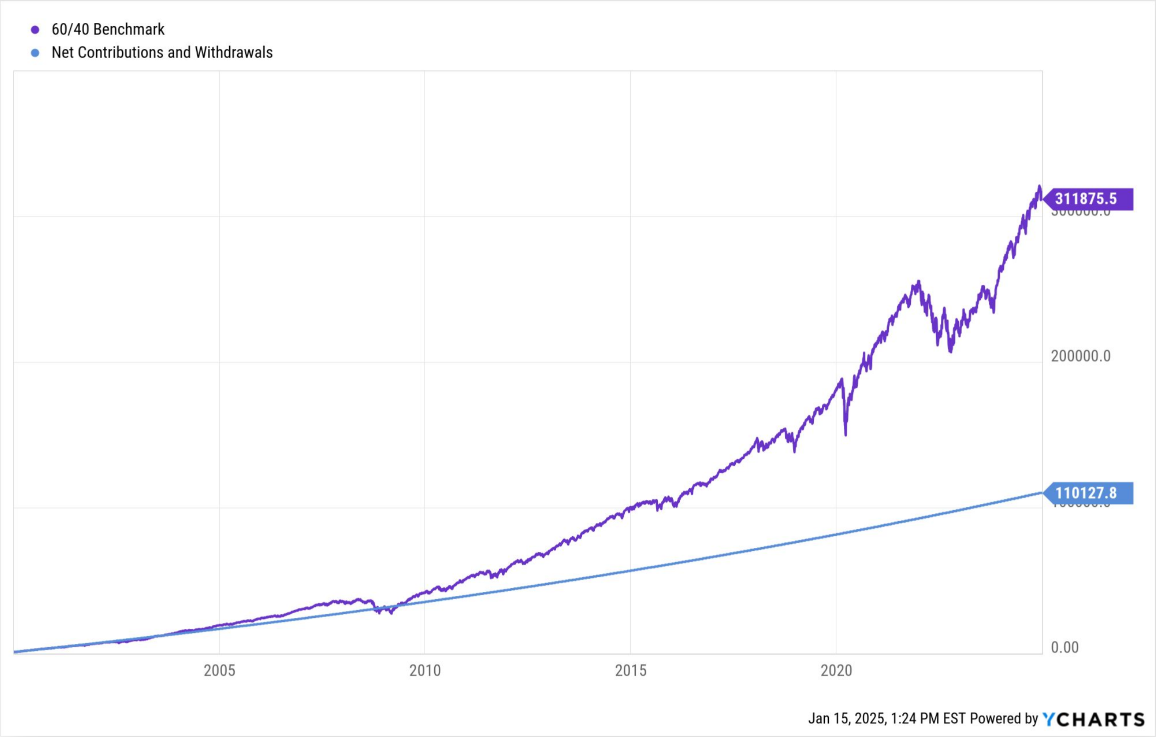
“Sector ETFs Portfolio” with 529 total holdings:
-19.29% max drawdown

“Broad Index Portfolio” with 2,879 total holdings:
-26.17% max drawdown



“Successful Investors Take Big Risks”

Akin to avoiding “putting all your eggs in one basket” up front, contributing over time often provides for a smoother–and more rewarding–investing journey.



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The chart illustrates an example 25-year investment in a 60/40 portfolio:

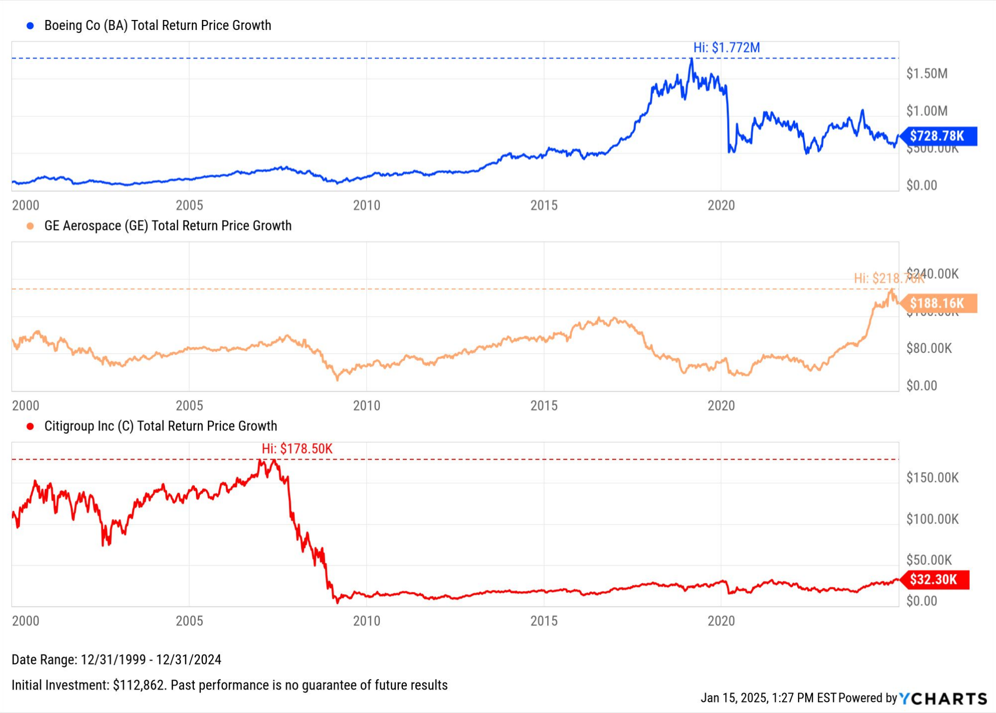
Initial Investment: $1,000, made in January 2000

Ongoing Contributions: $250 monthly, with a 3% annual increase, from February 2000 through December 2024

Total Contribution: $110,128

“Successful Investors Take Big Risks” (cont.)

Akin to avoiding “putting all your eggs in one basket” up front, contributing over time often provides for a smoother–and more rewarding–investing journey.



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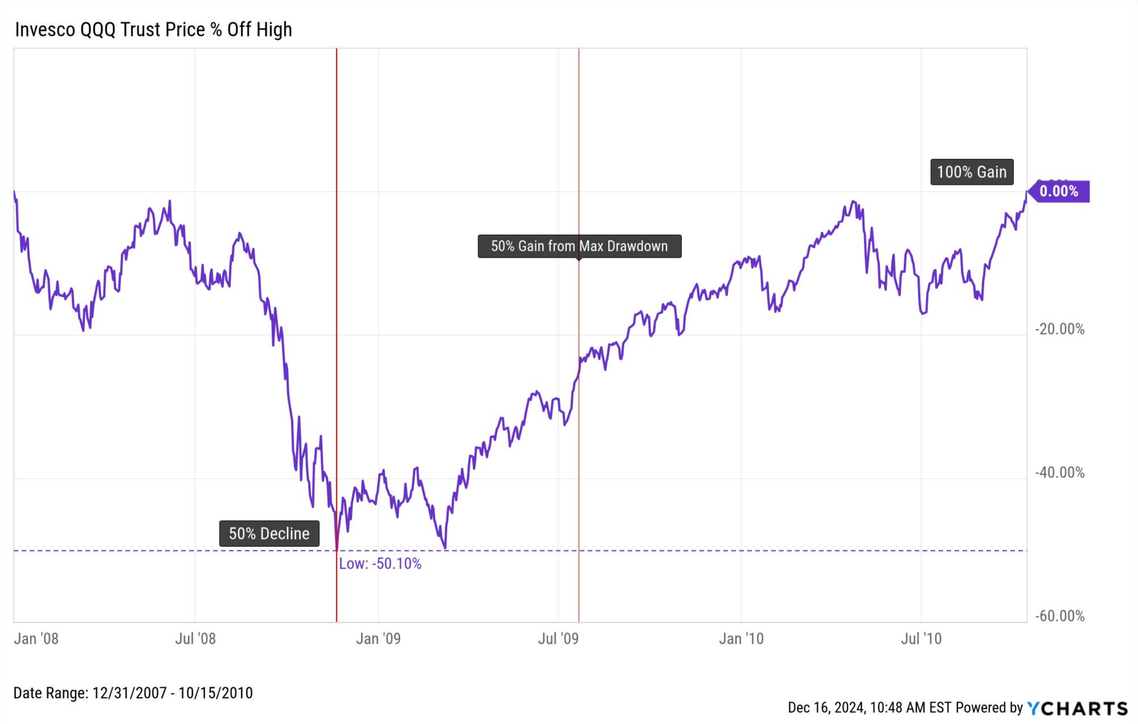
Investing that lump sum of **$110,128** into a single stock on **January 1, 2000**, would have resulted in the following outcomes:

- **Boeing (BA)**
  - High: $1.772M
  - Current value: $728.78K
  - Current % off high: -58.9%
- **General Electric (GE)**
  - High: $218.76M
  - Current value: $188.16K
  - Current % off high: -14.0%
- **Citigroup (C)**
  - High: $178.50K
  - Current value: $32.30K
  - Current % off high: -81.9%

“Percentage Gains and Losses are Equivalent”

Higher levels of positive returns are required in order to fully counterbalance losses.



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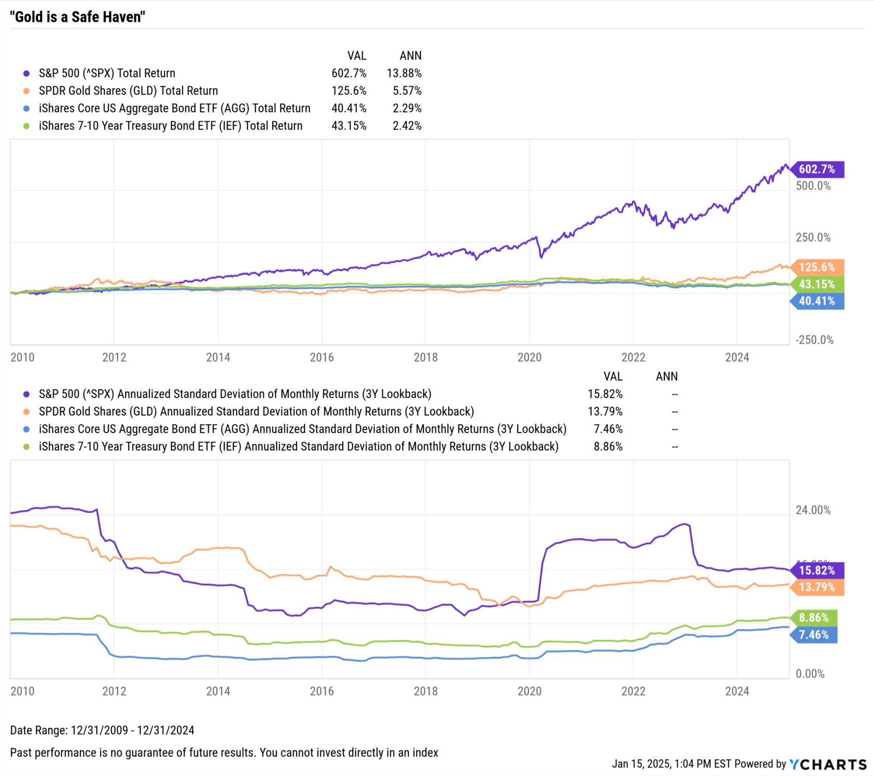
Between January 1 and November 20, 2008, the Invesco QQQ Trust (QQQ), an ETF tracking the Nasdaq-100 Index, experienced a 50% decline in value.

To recover from this loss, the ETF needed a 100% gain, which it achieved by October 15, 2010.

“Gold is a Safe Haven”

Although gold has traditionally been considered a safe-haven asset, its recent risk/reward metrics suggest it may not always serve this role effectively.



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Return and Risk Metrics Since 2010:

- **S&P 500:**
  - 13.9% Annualized Return
  - 15.8% Standard Deviation
- **GLD:**
  - 5.6% Annualized Return
  - 13.8% Standard Deviation
- **AGG:**
  - 2.3% Annualized Return
  - 7.5% Standard Deviation

The annualized return of gold, represented by SPDR® Gold Shares (GLD), is about 60% less than stocks since 2010, yet carries just about the same volatility as the S&P 500.

"A High Dividend Yield Indicates a Safe Investment"

Investors often consider dividends as indicators of secure investments. However, elevated yields can be a signal of underlying company challenges, potentially becoming "dividend traps" that threaten long-term performance.

Symbol	Name	Dividen. Yield	1 Month Total Returns (Monthl.	6 Month Total Returns (Monthl.	1 Year Total Returns (Monthl.	5 Year Total Returns (Monthl.	10 Year Total Returns (Monthl.
WBA	Walgreens Boots Alliance Inc	13.33%	5.58%	-44.59%	-51.75%	-77.75%	-78.90%
MPW	Medical Properties Trust Inc	11.55%	-20.85%	5.32%	8.19%	-66.74%	-28.23%
CVI	CVR Energy Inc	11.53%	-30.96%	-45.73%	-45.51%	-43.67%	-15.04%
KSS	Kohl's Corp	11.26%	-12.42%	-19.03%	-10.48%	-52.29%	-44.53%
CIVI	Civitas Resources Inc	11.24%	-3.71%	-28.69%	-28.97%	270.3%	-98.69%
XRX	Xerox Holdings Corp	11.11%	-21.29%	-35.69%	-31.59%	-67.80%	-62.47%
SBLK	Star Bulk Carriers Corp	10.83%	-19.33%	-16.54%	11.87%	202.4%	-37.58%
CIB	BanColombia SA	10.75%	1.69%	2.90%	39.79%	-16.02%	-10.18%
SSL	Sasol Ltd	10.57%	-15.53%	-18.78%	-53.70%	-64.14%	-84.93%
VOD	Vodafone Group PLC	10.39%	-7.48%	16.18%	11.46%	-33.64%	-46.46%

“A High Dividend Yield Indicates a Safe Investment” (cont.)

Some investors perceive high dividend yields as indicators of secure investments. However, elevated yields can sometimes signal underlying company challenges, potentially affecting long-term stability.

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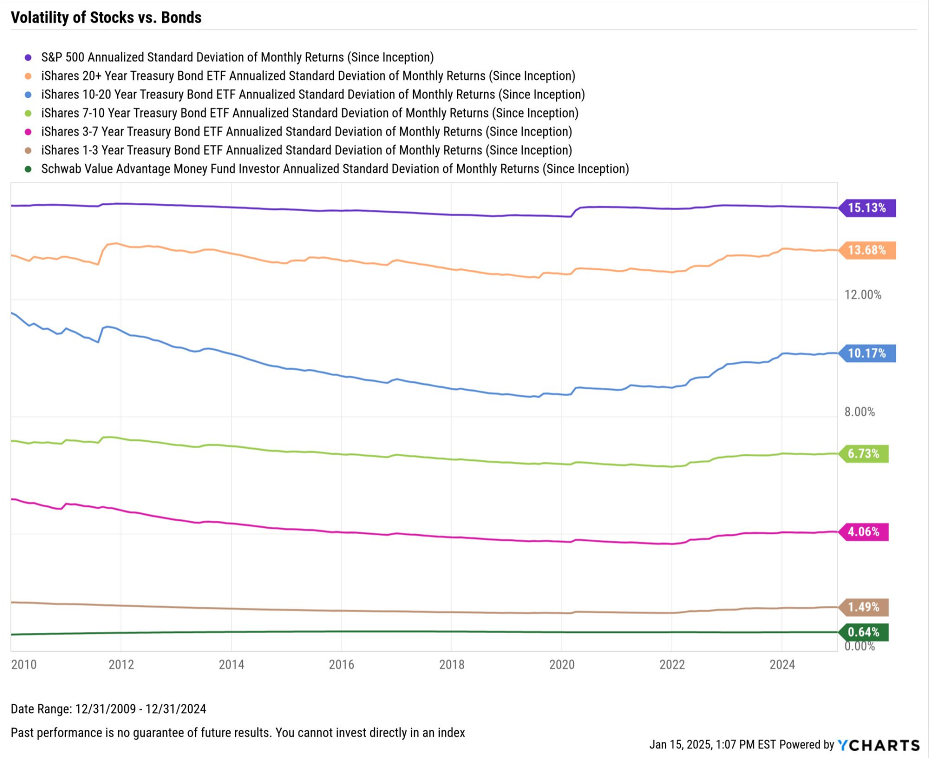
Dividend yields by nature lend themselves to denominator bias, a stock's price falling elevates the dividend yield.

For example, Walgreens Boots Alliance (WBA) shows a high current yield paired with a significant long-term decline in total return, reinforcing the risks of relying solely on dividend yields as an indicator of investment safety.

“Bonds are Risk-Free Investments”

Bonds are not entirely risk-free; they can be affected by inflation, interest-rate, and default risks.



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Bonds vary significantly in risk depending on their maturity (as illustrated by standard deviation), with longer-term bonds exhibiting higher volatility compared to shorter-term bonds.

While bonds generally have lower volatility than stocks, they are not entirely risk-free.

Cash remains the least volatile asset, but its returns are minimal, highlighting the trade-off between risk and potential reward.

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