Taylored Money

Your family's financial future in safe hands

In investing, time is your friend

Why patience pays off in the long run.

IN INVESTING, TIME IS YOUR FRIEND

One of the great challenges that all investors face is that there is no easy or quick way to investment success. Aesop's fable of the tortoise and the hare is a useful metaphor. You have to use the time on your side – which could be over multiple decades – to capture the returns of the markets effectively, but often slowly. In the short-term, market returns can be disappointing. The longer you can hold for, the more likely the returns you receive will be at worst survivable, and hopefully far more palatable. It is time that allows small returns to compound into large differences in outcome for the patient investor. The reality is that markets go up and down with regular monotony.

> ***The stock market is a device for transferring money from the impatient to the patient.***
>
> *Warren Buffett*

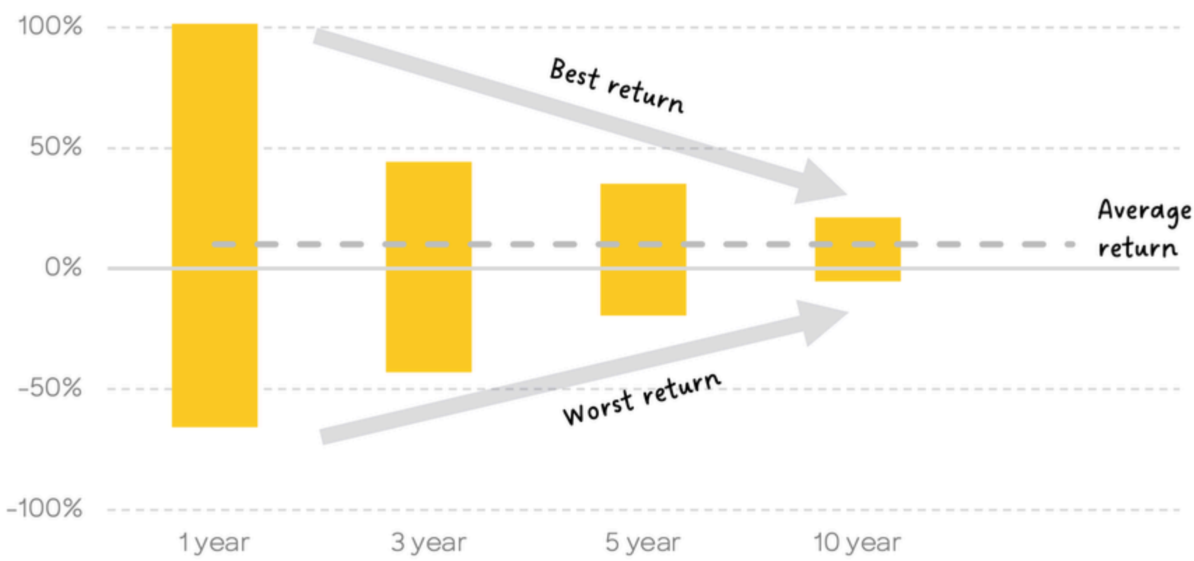
If you want to be a good investor, you have to be patient. On your investing journey, you will spend a lot of time going backwards, recovering from the set back and then surging forward again, often in short, sharp bursts of upward market movement. You just have to stick with it. Remember that you have to be in the markets to capture their returns. Impatient investors tend to lose faith in their investments too quickly, often with painful consequences.

There are no certainties in investing, but investors can give themselves the best chance of achieving their expectations by allowing the passage of time to let short term uncertainty be overwhelmed by long term expected outcomes.

> ***In the short run, the market is a voting machine but in the long run, it is a weighing machine.***
>
> *Benjamin Graham*

The figure below is a powerful graphic demonstrating the benefit of convergence towards stock market expectations enjoyed by investors who befriend time.

FIGURE 1: CONVERGING STOCK MARKET OUTCOMES AS HOLDING PERIOD INCREASES, JUL-1926 TO JUL-2024



Source: Albion Strategic Consulting. Periods on an annualised, monthly rolling basis. Omits 'Best return' outcomes for 1 year to May-33 and Jun-33 due to axis limitation. See endnote for details on data used.

RISK WARNINGS

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Past performance is not indicative of future results and no representation is made that the stated results will be replicated.

DATA USED

Albion World Stock Market Index: Jul-26 to Dec-74 - Fama/French Total US Market Research Index. Jan-75 to Jun-89 – 40% Fama/French International market Index, 60% Fama/French Total US Market Research Index. Jul-89 to Jun-08 - 5% Fama/French Emerging Markets Index, 65% Fama/French International market Index, 30% Fama/French Total US Market Research Index. Jul-08 to present - Vanguard Total World Stock Index I VTWIX. Data in nominal terms and presented in USD.