TIME IN vs. TIMING

Market volatility can test the patience and resolve of even the most committed investors. Indeed, many may be tempted to try to time the market hoping to avoid the worst of a potential downturn. Questions like "When will the market stabilize? And "Should I change my investment strategy?" may be keeping you up at night.

Faced with the prospect of sizable losses, investors often make irrational choices when the market gets bumpy. But the fact is, over time, the market has historically tended to trend upward. If you want to participate in that growth, you must be invested in the market, not sitting on the sidelines.

By allowing your emotions to rule, you can easily derail your carefully developed, asset allocation-based investment plans. Study after study, including the oft-quoted Brinson, Hood and Beebower "Determinants of Portfolio Performance," have shown that asset allocation is the single most important factor in determining the potential success of your portfolio.

Marketing timing vs. time in the market -- unfortunately investors don't often stick with their plans. A 2006 study by Boston-based market research and consulting firm DALBAR, Inc. "Quantitative Analysis of Investor Behavior," for example, found that the average equity fund investor's portfolio grew 3.9% compared to the 11.9% return of the Standard & Poor's 500 index over the past 20 years. Market timing and inadequate discipline, the research revealed, accounted for the 8% shortfall in performance.

While some investors deliberately attempt to time market cycles, other are reticent to make a commitment to stocks to avoid the emotional stress of market declines. Other investors may remain committed to their strategic allocation but hinder their long-term success by continually changing the managers or mutual funds hired to implement their strategic allocation.

The bottom line is you are more likely to achieve your long-term investing objectives if you avoid emotional investing and stick with your investment plans through various market cycles.

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