Tom Mullooly: In episode 259, we put some numbers behind timing the market versus time in the market. Welcome to the Mullooly Asset Show. I'm your host, Tom Mullooly, and this is episode number 259. Thanks for tuning in. It's all about time in the markets, not timing the markets. I first heard this nearly 40 years ago from a gentleman named Nick Murray. And if you're in the industry, you know that name, he's the advisor to a lot of advisors. He always has some of these great lines like, "It's about time in the market, not timing the market." He's a great guy. You should look him up. That also ties in well with another line that I learned very, very early in my career, and that is, "Sometimes bulls make money, sometimes bears make money, but pigs get slaughtered."

Tom Mullooly: So to those who say, "Hey, the market's too high right now. I'm going to wait," or, "I'm waiting for a pullback to put money to work," or, "I just want to wait. I want to make 10% and go to the sidelines," or, "I want to be nimble moving in and out of the markets," I have some news for you. And it came in the form of a report from JP Morgan, and they had an excellent illustration I'll share with you, if you put $10,000 into the S&P 500 on January 3rd of 2000. Now, tech stocks were exploding at this point. So if you put $10,000 into the S&P 500 January 3rd of 2000 and you left it alone until December 31st of 2019, that's a 20 year period, your average annual return was 6%.

Tom Mullooly: Now, there were some crazy good years in that 20 year window, but there were also some really bad years in the same window. I mean, 2000, 2001, 2002 were very rough. 2008 was very rough. We've had some tough times and some good times in that 20 year window. But 20 years works out to be about 5,000 trading days, 5,000 days where the stock market was open over a 20 year period. So look, if you missed, if you were out of the market for just the best 10 days out of 5,000, just 10 days out of 5,000, your return isn't 6%, it's 2.44%. So if you missed the best 20 days out of the market, 20 days out of 5,000, your return would have been 0.02%. You would've made nothing. This is the best one. If you missed the best 30 days out of 5,000 days, your return would have been a negative 1.95%.

Tom Mullooly: That's right. You would have lost 2% on average per year just by sidestepping, just by saying, "I'm going to cash," just by saying, "I'm going to be nimble in the market," the best 30 days out of 5,000. And incidentally, it's not like these 30 best days happened by accident. They usually happen the day after or close by the 30 worst days in the market. And so it's far, far simpler to just stay invested than trying to time the market. Again, I'll say it like I did at the outset of this video. It's about time in the market, not timing the market. Charlie Munger from Berkshire Hathaway put it another way, which I think is an excellent way to remember it, "Don't interrupt the compounding." That, my friends, is the message for episode 259. Thanks again, for tuning in.