

It's all about time-in

For many investors, the magnitude of the latest market downturn has provided a genuine test of resolve and their tolerance for investment risk. But history shows that patient investors can be rewarded over the long term.

The importance of time-in not timing

While it can be tempting to jump in and out of volatile markets, missing out on just a few of the best days can have a huge impact on your long-term wealth.

Attempting to time the market can be almost impossible and would involve being able to predict market movements precisely so that you purchase at the bottom and sell at the top of the market cycle. Sounds simple enough but without a crystal ball, this would prove almost impossible for any investor.

For investors who take a long-term view, you can be reassured that you will benefit from being invested on the days when markets soar. So when do markets soar? Only a few trading days are responsible for a substantial proportion of returns as shown in the table below. If you are attempting to time the market, it could be very easy to miss those few trading days.

The start of a recovery often provides the largest returns, therefore it's important to be invested before the market turns. Historical trends indicate that it is more important to be invested at the start of market rises than at the start of market falls.

The following table illustrates the impact that missing just a few trading days can have on your overall investment.

Growth of \$10,000 between 1992 to 2008

Days invested	Value as at 31/12/2008	Average annual return
Invested for all days	\$42,619	12.66% p.a.
Minus best 10 days	\$23,570	7.31% p.a.
Minus best 25 days	\$14,039	2.83% p.a.
Minus best 50 days	\$8,745	-1.10% p.a.

Please note past performance is not indicative of future performance.

Source: IRESS S&P/ASX 300 Accumulation Index. Period 1/1/1992 to 31/12/2008

Missing out on the top 10 trading days can make a huge impact on your returns.

When will markets turn?

It is almost impossible to predict the day when markets turn and when they do, they tend to move in quick bursts. Missing the initial rebound can mean missing out on most of the gains. Generally the key to successful investing is to choose your strategy and stay the course.

