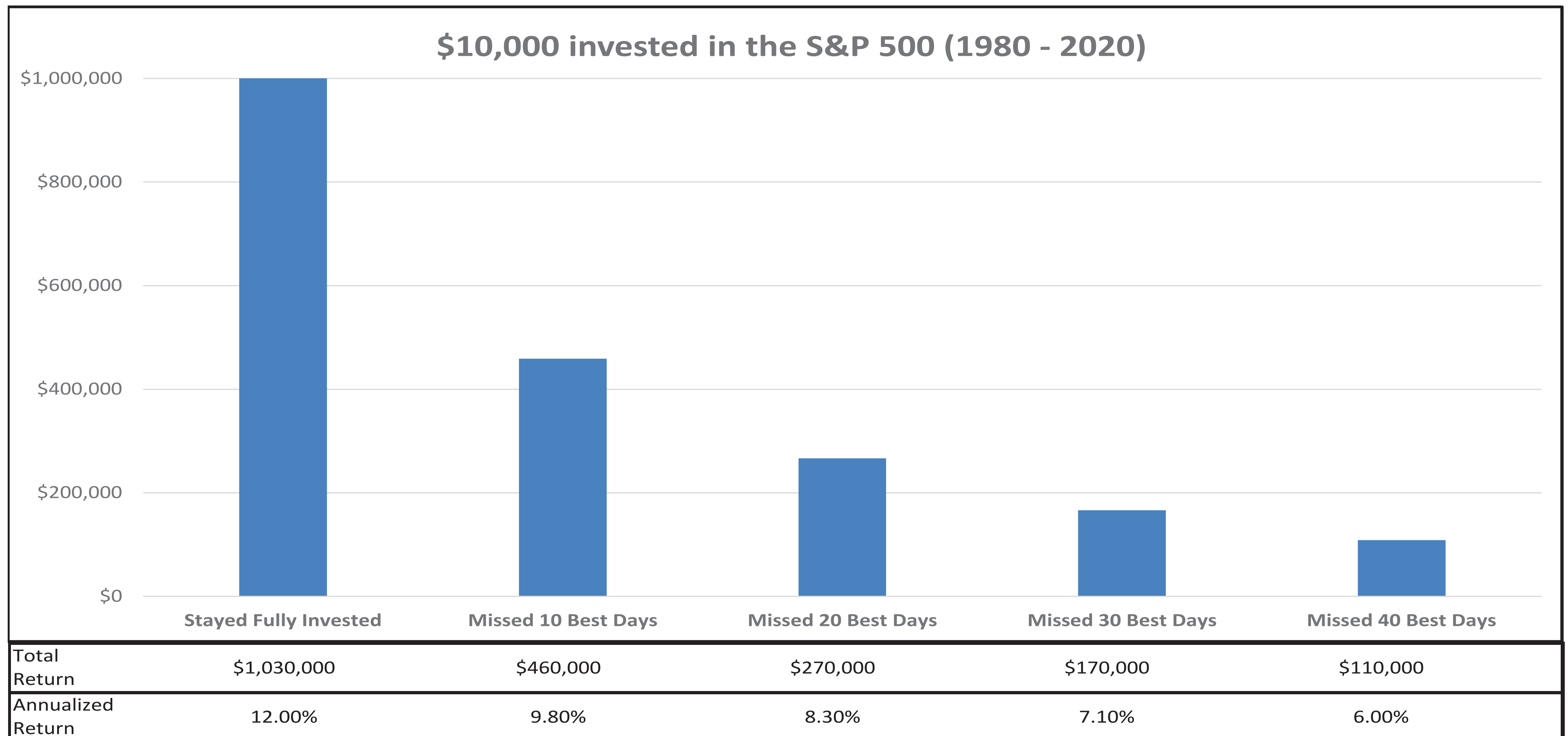
Missing the best days crushes investor returns

Investors who wait on the sidelines for the "optimal" time to buy often miss significant rallies.

A $10,000 investment in 1980 would have increased to about $1,030,000 at the end of 2020. Note, this period includes over 10,000 trading days and assumes the individual stayed fully investor. If an investor missed only the 10 best days in the market, their total return would have been less than half. If an investor missed the 40 best days, their return would have been about one tenth.

To make things more difficult for market timers, the best days often occur during periods of severe market stress. Nine of the ten best days in the market over the last forty-one years occurred during either the Global Financial Crisis (2008-2009) or the Covid Pandemic (2020). Nervous or frustrated investors who threw in the towel would have missed the subsequent market rebound and devasted their portfolios.

During periods of market stress, it is impossible to know when the market bounce will occur, but we do know that missing the bounce can have a severe negative impact on total return.



	Stayed Fully Invested	Missed 10 Best Days	Missed 20 Best Days	Missed 30 Best Days	Missed 40 Best Days
Total Return	$1,030,000	$460,000	$270,000	$170,000	$110,000
Annualized Return	12.00%	9.80%	8.30%	7.10%	6.00%

SOURCE: Bloomberg

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