

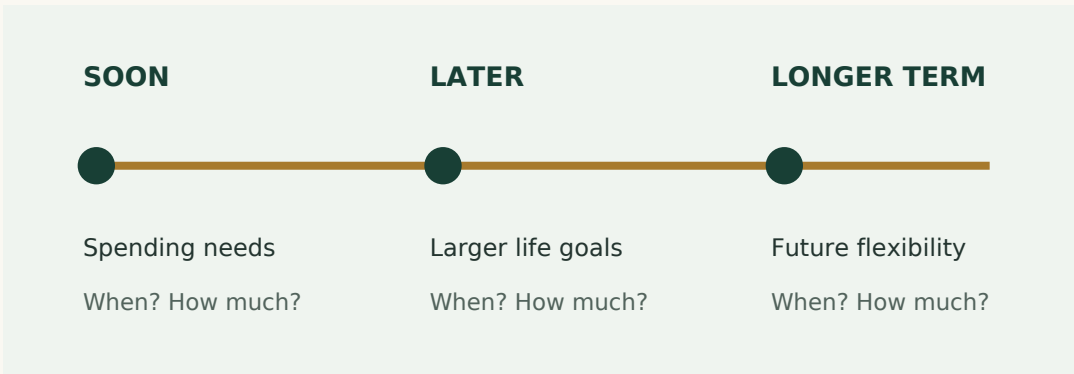
Time in the Market, Not Timing the Market

Why planning is about funding life,
not winning every quarter.

Fund your life. An investment plan has a job: help pay for the life you want. That might mean more freedom after a business sale, retirement income, or support for your family. The scoreboard is not whether you beat a neighbor this quarter.

Give a suitable plan time. “Time in the market” means giving a suitable long-term plan time to work, rather than repeatedly moving in and out because of a forecast. It does not mean investing every dollar, ignoring risk, or holding a bad investment forever.

Match risk to the spending date. First ask when you will need the money. A near-term spending need and a goal decades away should not automatically carry the same risk. Your ability to absorb a loss matters as much as your willingness to take one. [1]



Start with the spending date, then decide what risk belongs with that money. These are planning questions, not recommended allocations.

A good plan should fit your life before it tries to fit a market forecast.

Educational only. Not financial, tax or legal advice. Investing can lose money.

Getting out is only half the decision

Two decisions, not one. A market-timing plan must answer two questions: When do I sell? And when do I buy back? Being right about a scary headline is not enough. The price may already reflect the bad news, and a recovery may begin before the news feels reassuring.

What sitting out means. The simple example below is not market history. It shows the trade-off of sitting out: you avoid what happens next, whether that is a loss or a gain. Assume cash earns 0%, with no fees, taxes or cash flows.

Planning is not forecasting. Staying invested is not a promise of a rebound. A stock can fail, and a diversified portfolio can fall sharply. Changing an allocation because your spending needs or ability to bear risk changed is planning; changing it because you believe you know next month's winner is a forecast. [1]

SELL → WAIT → WHEN DO YOU RETURN?

Next move	Stay invested	Hold cash
Market rises 20%	\$120	\$100
Market falls 20%	\$80	\$100

Hypothetical one-period outcomes from \$100. Neither outcome is assigned a probability. No forecast or recommended strategy.

Write the rule for getting back in before you make a decision to get out.

[1] SEC asset-allocation guidance. Full linked sources on page 10.

Big up days can arrive in a down market

Recoveries can surprise. In 2008, this broad U.S. stock-market measure lost 36.46%, yet gained 11.36% on October 13. Powerful up days can arrive before the news feels reassuring. [6]

What the illustration measures. Start with \$10,000 in a broad U.S. stock-market research portfolio. Remove the best 10, 30 or 90 trading days across the full 20 years, identified after the fact, replacing their returns with 0%. These are not consecutive days or only days in rising markets. [6]

The other side of the test. This one-sided test does not prove timing always fails. Missing the worst 10 days leaves \$196,334; missing both the best and worst 10 leaves \$88,904. Those dates are unknowable in advance. [6]

A balanced plan is different. A diversified mix of dividend-paying stocks and high-quality bonds is a different portfolio, not this benchmark. Its purpose is income and growth with risk you can live with, not owning every winner. Results depend on holdings, weights, costs and rebalancing. Bonds can lose value; dividends can be cut. Diversification does not eliminate risk. [1]

Held throughout		\$82,749
Miss best 10 days		\$37,471
Miss best 30 days		\$14,602
Miss best 90 days		\$2,251

Historical stock-only illustration, Jan. 3, 2006–Dec. 31, 2025; dividends reinvested. No fees, taxes, cash flows or trading costs. Not a balanced portfolio or forecast. [6]

The lesson is the risk of missing a recovery, not a promise that staying invested always wins.

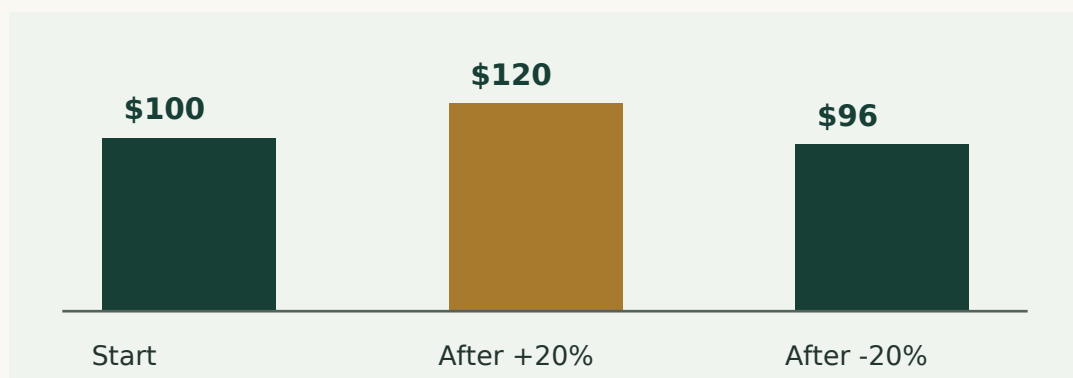
[6] Kenneth French daily U.S. market total-return data; author calculations. Sources: page 10.

Average returns are not your ending balance

Averages can mislead. If an investment rises 20% and then falls 20%, the average of those two percentages is zero. But your money does not finish where it started. The loss applies to a larger balance.

Follow the dollars. The multiplication is simple: $\$100 \times 1.20 \times 0.80 = \$96$. Reverse the order and the ending value is still \$96, as long as there are no deposits or withdrawals. Cash flows can make the order of returns matter to your outcome.

Recovery takes a larger gain. A loss also needs a larger percentage gain to recover. After a 20% loss, \$100 becomes \$80. It takes a 25% gain on \$80 to return to \$100. After a 50% loss, it takes a 100% gain. That is a reason to choose manageable risk, not proof that low-risk investments always win.



Hypothetical arithmetic, before fees, taxes, inflation and cash flows. The bars start at zero and show account values, not annual return rates.

The goal is an appropriate level of risk, not the most exciting average return.

This page's numerical illustrations are calculated examples, not actual performance.

Allocation matters.

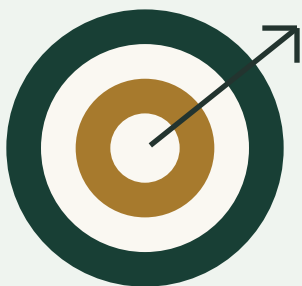
The “90%” needs context.

Know the difference. Asset allocation is how you divide money among types of investments. Diversification means spreading exposure rather than relying on one company, industry or market. Neither is insurance against a loss. [1]

What the study actually found. The often-quoted Brinson study found that policy allocation explained, on average, 93.6% of the variation over time in quarterly portfolio returns in its pension-fund sample. It did not say allocation produces 93.6% of your return dollars or a 93.6% chance of success. Later work explicitly separated these different questions. [2, 3]

About those monkeys. And the monkeys? Burton Malkiel’s dart-throwing monkey was a memorable metaphor in *A Random Walk Down Wall Street*, not a controlled scientific trial of monkeys beating experts. The later Wall Street Journal contest used staff-thrown darts and was informal. [4]

Keep the useful lesson. The useful lesson is humility about forecasts. You do not have to treat every stock tip as an essential ingredient in your plan. But a dartboard is not a substitute for diversification, reasonable costs or a suitable risk level.



A metaphor, not an experiment

Hard to predict does not mean randomly chosen is right for you.

Build a plan, not a dartboard.

Original dartboard illustration: a metaphor for uncertainty, not a depiction of research results.

Keep the lesson. Drop the inflated statistic and the monkey “study.”

[1–4] Definitions and research context. Full linked sources on page 10.

Rebalance the risk. Do not crown a winner.

Reset the risk. Rebalancing means bringing investments back toward an intended mix after markets move it away from the target. It can involve selling some of what rose and adding to what lagged, or directing new contributions to the underweight part. Its purpose is risk control, not a guaranteed return boost. [1]

Start with the same assumptions. Here is a deliberately contrived two-year example. Start with \$100 split equally between A and B. In year 1, A gains 20% and B loses 10%. In year 2, those returns reverse. All three approaches finish year 1 with \$105.

Compare the ending balances. For the rebalanced account, reset each holding to \$52.50 after year 1. Year 2 ends at $\$47.25 + \$63 = \$110.25$. Holding without a reset ends at $\$54 + \$54 = \$108$. Moving all \$105 into year 1's winner ends at \$94.50.

Know the limits. This example favors rebalancing because leadership reverses. In a persistent trend, holding the winner can do better. Real rebalancing can create transaction costs and taxes; decide on a review rule rather than copying this toy portfolio. [1]

End of year 2	Account value
Reset to 50/50	\$110.25
Hold without resetting	\$108.00
Move all to year 1 winner	\$94.50

Hypothetical, not a forecast. Same starting money and asset returns; no fees, taxes, deposits or withdrawals. The 50/50 mix is not a recommendation.

A consistent process is different from consistent returns.

[1] SEC guidance discusses rebalancing, costs and tax consequences.

Your emotions invest alongside you

Recognize fear and FOMO. When you are invested, a falling balance can make selling feel like relief. When you are out, a rising market can trigger fear of missing out, or FOMO. Neither feeling tells you whether today’s price is attractive or whether the risk fits your needs.

Name the bias. Loss aversion makes losses feel especially painful. Recency bias gives the latest trend too much weight. Overconfidence can turn a lucky call into a belief that the next turn is predictable. Together, these habits can pull an investor toward selling after declines and chasing after gains. [8]

Write rules in advance. Write rules before emotions are loud: define the money’s purpose, intended mix, rebalancing trigger and reasons to review. Before a major change, ask whether your life changed or only the headlines did. If you leave an investment, record the conditions for returning.

Pause, then decide. The goal is not to feel nothing. It is to slow the decision down enough to separate a real planning need from a reaction. Review the plan on a schedule and when circumstances change, rather than treating every market move as a new instruction.

FEELING → PAUSE → PLAN → DECISION

Fear while invested	Has my spending need changed?
FOMO while in cash	What risk can I actually afford?
Confidence after gains	Am I following my written rule?

A decision process for rising and falling markets. A written plan is a discipline tool, not a guarantee against loss.

Fear and FOMO are signals to review the plan, not automatic orders to trade.

[8] CFA Institute behavioral-biases curriculum. Full linked sources on page 10.

Let time work. Keep the plan honest.

Compounding in dollars. Compounding means gains can earn further gains. If \$10,000 grew at a constant 6% a year for 20 years, it would become about \$32,071. At a constant 5%, it would become about \$26,533. The difference is about \$5,538.

Costs and uncertainty matter. This is a simplified one-percentage-point annual return-drag illustration, not a fee quote or forecast. It assumes no cash flows, taxes or inflation; actual fees may be charged differently. Real returns are uneven and can be negative. Time creates opportunity for compounding, not certainty. Costs still matter because money spent on fees cannot stay invested. [5]

Put the plan in writing. A useful written plan answers four questions: What is the money for? When will I need it? How much loss could I absorb without disrupting those needs? What would justify changing the plan?

Review when life changes. Review those answers when life changes. Check the investment mix and total costs on a schedule. A frightening quarter deserves attention, but not an automatic rewrite. The objective is a plan you can sustain through uncertainty, not a promise that every year will be positive.

6% a year



\$32,071

5% a year



\$26,533

Hypothetical constant annual returns, rounded to the nearest dollar. Formula: $\$10,000 \times (1 + \text{return})^{20}$. Not historical performance.

Bring your spending timeline, risk questions and rebalancing rule to a qualified advisor.

[5] SEC fee guidance. Educational only; not financial, tax or legal advice.

The value can be helping you stay the course

VANGUARD ADVISOR'S ALPHA / POTENTIAL VALUE

About 3 percentage points

Potential value estimated by Vanguard over an unspecified period—not a guaranteed annual return. Results vary; fees and services matter. [7]

Advice connects money to life. An advisor's most valuable contribution may be helping you follow a suitable plan when fear says sell or excitement says take more risk than your life can support.

Understand the estimate. Vanguard's Advisor's Alpha research estimates potential value of about three percentage points in net returns over an unspecified period. This is not a promised annual gain, a guaranteed 3% or 4% bonus, or market-beating alpha. [7]

Behavior has the greatest potential. Behavioral coaching has the greatest potential contribution. Its value may be concentrated in a few difficult decisions, not delivered evenly each year. The framework also includes allocation, costs, rebalancing, tax-aware positioning and withdrawals. [7]

Value is personal. The comparison is with portfolios not using these practices, not a universal advisor-versus-DIY scorecard. Value depends on the investor, services and costs. A disciplined investor may already do some of this well. The test is whether advice connects money to life and improves decisions.

Advisor value is a combination of planning and implementation. Behavioral coaching is not a separate guaranteed return to add to market performance.

Good advice should help you make better decisions, not promise you a better market.

[7] Vanguard, 2025; framework estimates vary by client and are not additive guarantees.

Sources and assumptions

[1] SEC Investor.gov. Asset Allocation. Risk tolerance, time horizon, diversification and rebalancing.

[2] Brinson, Hood and Beebower (1986). Determinants of Portfolio Performance; context from CFA Institute. Financial Analysts Journal 42(4), 39–44; 91 U.S. pension funds, 1974–1983. Variation over time is not return dollars.

[3] Ibbotson and Kaplan (2000). Does Asset Allocation Policy Explain 40, 90, or 100 Percent of Performance?. Financial Analysts Journal 56(1), 26–33. Different questions about performance produce different percentages.

[4] The Daily Princetonian (2002). Fourteen years of darts on Wall Street lead Malkiel to reassert stock theory. Direct comments from Malkiel and the contest reporter; not a scientific experiment.

[5] SEC Investor.gov (2025). Investor Bulletin: How Fees and Expenses Affect Your Investment Portfolio. Costs reduce the amount of money left invested. Our numerical example is independent and hypothetical.

[6] Kenneth R. French Data Library. Daily U.S. research factors and methodology. Author calculations from daily market total returns ($Mkt-RF + RF$), January 3, 2006–December 31, 2025; 5,031 trading days. Best/worst days ranked retrospectively; removed returns replaced by zero. August 2026 CRSP vintage, accessed October 23, 2026; inputs rounded to 0.01 percentage points. Research benchmark, not directly investable.

[7] Vanguard (2025). Celebrating Vanguard Advisor’s Alpha. Pages 3–4: estimated value over an unspecified period, not guaranteed annual alpha. Behavioral coaching has the greatest potential contribution; practices and client circumstances matter.

[8] CFA Institute (2026 curriculum). The Behavioral Biases of Individuals. Behavioral biases and investment decisions.

Illustration notes

Original explanatory artwork. Except for the historical U.S. stock-market example, dollar illustrations are constructed arithmetic. No deposits or withdrawals unless stated; no forecast or probability of success is implied.

Educational material only. Not financial, tax or legal advice. No security, investment mix or strategy is recommended. Investment values can decline, and diversification does not assure a profit or prevent loss.

Bring the whole picture into focus

Use the Retirement X-Ray as an educational starting point. Then request a comprehensive review with a qualified financial advisor to discuss the life your money must fund, the risk you can afford and the rules you can follow. Tax and legal questions need the appropriate professionals.

Start with your Retirement X-Ray