



“A lot of people with high IQs are terrible investors because they’ve got terrible temperaments. You need to keep raw irrational emotion under control.”

Charles Munger
Vice-Chairman, Berkshire Hathaway

Avoid Self-Destructive Investor Behavior

Market corrections often cause investors to abandon their investment plan, moving out of stocks with the intention of moving back in when things seem better—often to disastrous results.

The chart below compares the 20 year returns of equity investors (S&P 500 Index) who remained invested over the entire period to those who missed just the best 10, 30, 60 or 90 trading days:

- The patient investor who remained invested during the entire 20 year period received the highest average annualized return of 11.0% per year.

- Amazingly, an investor needed only to miss the best 90 days for his return to continue to plummet.

Investors who understand that overreacting in the short term is a loser’s game are also more likely to adhere to their long-term investment plan.

Long-term wealth is built by controlling emotions and avoiding such costly mistakes.

One of the most important services a trusted financial advisor can provide is to help remain disciplined, unemotional and focused on long-term financial goals.

The Danger of Overreacting in the Short Term

20 Year Average Annual Returns (2006–2025)



Source: Bloomberg and Davis Advisors. The market is represented by the S&P 500 Index. Investments cannot be made directly in an index. Past performance is not a guarantee of future results.

WISDOM^{of} GREAT INVESTORS

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