Are You Sitting the Bench When You Should Be Winning the Game?

Last week I explained that [I don't miss the boat because I'm always in the boat](). The post was an outline of my long-time philosophy for remaining fully invested so as not to miss the best times of market performance. My avoidance of market timing isn't simply intuitive. In fact, in December 1991 I detailed some of the research on which I based that philosophy. I wrote:

> ***Your Biggest Mistake in Investing Is to Market Time***
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> *You don't want a fund that is an active trader. Market timing does not work; it's a fool's game. Forbes presented one version of the case well in its issue of 28 October 1991. The article explains a study done by professors Chandy and Reichenstein. The study examines monthly stock returns for the S&P 500 from 1926 through 1987. It found that "if the best 50 months—only 6.7% of the total time period—were deleted, the S&P's entire 62-year return disappeared."*
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> *The Ibbotson studies covered market return from 1946-1990. They showed that $1 invested in stocks in 1946 grew to $130.52 in 1990. If, however, the 30 best months were taken out, $1 grew to $8.88 versus $8.43 for T-bills. Stocks barely beat T-bills over 44 years, without those critical 30 months.*
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> *Do you now see how terribly dangerous it is to be on the sidelines during the precious few really good months in the long, long stock market cycle? You, I know, intuitively believe that you can market time, or at least that Dick Young can for you. It ain't so. The biggest mistakes I've personally made in the market have been being on the sidelines at the*

wrong time.

Selling out into cash is not the best action investors can take to prepare their portfolios for times of turbulence. Instead they should seek to develop a diversified portfolio that attempts to minimize and counterbalance risks in order to ride out volatility.