How to Build 37% of Your Wealth in Just Ten Days

In the Spring of 1996, I explained how important just ten days of a 31-year period were to building 37% of their wealth. I wrote that March:

> ***Market Timing Strategy—Bankrupt***
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> *Before I tell you what other funds I have bought this month and which funds I have on my short list for the next few months, I want to startle you, shock you, and convince you beyond any doubt that market timing is a bankrupt strategy whose time has never come.*
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> *Here's the only example you'll ever need to never market time again. T. Rowe Price put these numbers out a year or so ago. The original research was done by Towneley Capital Management.*
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> *If you invested $1 for a 31-year period (1963-1993), your $1 grew to $24.30 at year-end 1993. But if you missed just the 10 best trading days out of the 7,802 trading days, your $1 investment grew to only $15.40. That's right, by missing just 10 days, your return was slashed by 37%. Do you know what percentage of the trading days we are talking about here? Less than one-quarter of one percent (0.128%).*
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> *Now then, if instead of only 10 days you missed the best 40 days of 7,802 trading days, your $1 grew to only $6.50. By missing just 0.51% of the total trading period, your return was slashed by an unimaginable 73%. How's that for missing the boat?*
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> *OK, what if you missed out on just 1.15% of the trading days? Well, by missing just 90 of the total 7,802 trading days, your $1 made a glacier-like advance to $2.10. You would have been*

head-faked out of 91.4% of your long-term profits.

Still with me? The news gets worse—a lot worse. In-and-out trading necessitates not one, but two correct buy/sell decisions. It does no good to get out of the market advantageously unless you can also get back in advantageously—and both are low odds, big "ifs." Furthermore, there is a substantial transaction penalty to pay on each and every buy and sell. You find commissions extracted from your hide. And you do not see the bid/ask spread that is also lost on each transaction.

Finally, in all non-tax-deferred accounts, a tax penalty will be extracted. And depending on your location, the onerous nature of state and local taxes along with federal taxes may be a back snapper.

Market timing is akin to trying to draw an inside straight in poker or to yank the mask off the Lone Ranger. Not good ideas—not good ideas at all.

You won't be able to pick which days you earn your 37%, but if you remain invested with a balanced portfolio and a strong investment plan created with your advisor, you won't need to. The market will do the work for you.