

## When Emotion Takes Over: Why Market Timing Fails

Like and Follow our Facebook Page for more tips and valuable content!

### Managing Your Money

LYNN MacNEIL



Tariff concerns started shaking up the markets back in February, and things have been bouncing around ever since. We've seen some of the best and worst days in market history in just a matter of weeks. That kind of volatility can tempt even the most level-headed investors to try timing the market.

*"We've seen some of the best and worst days in market history in just a matter of weeks. That kind of volatility can tempt even the most level-headed investors to try timing the market."*

Trying to time the stock market is one of the most tempting — and most dangerous — investor behaviors out there. The idea seems simple: sell before the market drops, buy back in before it rises. Easy, right? In theory maybe — but in practice, it's nearly impossible to do consistently.

Study after study shows that investors who try to time the market dramatically underperform over time. One comprehensive study by Dimensional Fund Advisors looked at 720 different market-timing strategies. Only 30 of them — just over 4% — outperformed a basic buy-and-hold approach.

And yet, we all know that one friend or colleague who brags they "saw it coming" or "got in at just the right time." Sure, people get lucky sometimes. But consistently getting it right? That's rare. Just Google "Stock Market Timing Statistics" and you'll find mountains of evidence discouraging the behavior. The truth is, the odds aren't in your favor — and neither is your stress level.

Much of that gap in performance comes down to one thing: emotion. Fear. Regret. Second-guessing. When markets get scary, emotion takes over — and that's when costly mistakes happen.

Let's walk through a real-time example from the financial crisis. Meet John — a fictional investor with a very real human psychology. While the events may differ today, our emotional wiring hasn't changed a bit.

#### The Rise and Fall

**October 2007** — John had \$100,000 invested in the S&P 500, which had just hit a record high. *"Everyone's making money. I don't want to miss this."*  
**March 2008** — The market dropped 18%. *"This is scary, but maybe it'll bounce back. I'll hold."*  
**September 2008** — Lehman Brothers collapsed. Panic spreads.

*"I should have sold earlier."*  
**October 2008** — His portfolio's now worth \$63,000. John sells everything. *"At least I saved some of it. I'll get back in when things are stable."*

**Watching the Recovery**  
**March 2009** — The market bottoms out, down 57% from its peak. *"See? I was right to sell."*  
**By December 2009** — The market rebounds 65%. *"I should've bought back in. But it's too risky now."*  
**2012** — The market fully recovers. John finally reinvests — but only half: \$50,000.



*"Study after study shows that investors who try to time the market dramatically underperform over time."*

#### The Final Tally

If John had simply stayed invested, his \$100,000 would've recovered by 2012 — and grown to over **\$220,000** by the end of 2019. But because he tried to time the market:

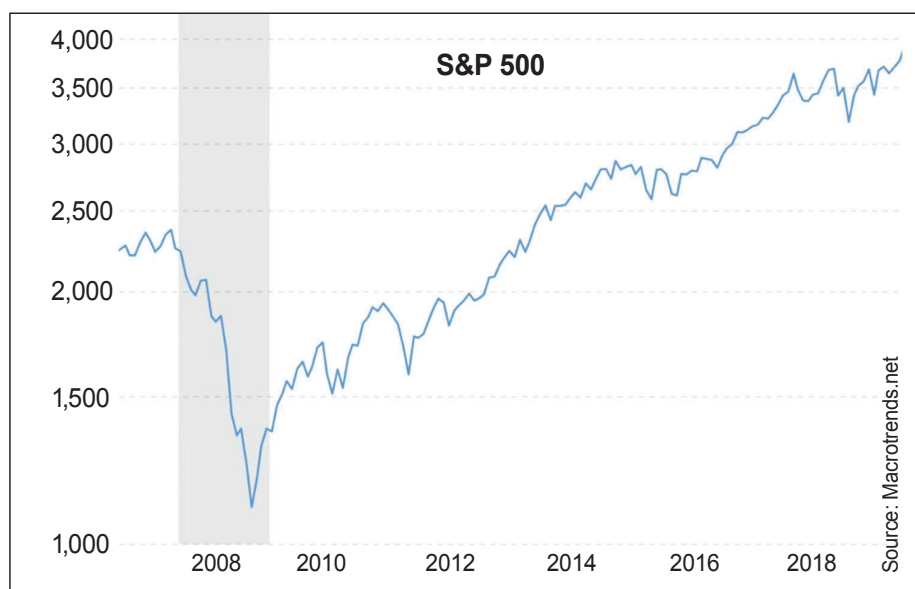
- He sold at \$63,000 in panic,
- Missed the recovery sitting in cash,
- Reinvested only half his capital,
- Ended up with just **\$119,000** — a **46% loss** compared to buy-and-hold.

Market timing fails because it requires perfect execution in the middle of chaos — sell at the top, buy at the bottom. But most investors, like John, do the opposite. They act on emotion, not strategy. And that's where things go sideways.

Think about the biggest threats to the economy in the past 80 years — Pearl Harbor, 9/11, COVID. No one saw them coming. No headlines warned us. No economist predicted them. That uncertainty isn't going anywhere.

As Carl Richards wrote in *The Behavior Gap* (2012), **"Risk is what's left when you think you've thought of everything."** And as finance mathematician Nassim Taleb says, **"Invest in preparedness, not in prediction."**

So what's the best investment strategy? Build a solid plan. Stick to it. And stay in your seat when everyone else is heading for the exits.



**Note:** For more tips and insights on managing your wealth, follow me on my Facebook page **Richardson Wealth – Ephtimios MacNeil Wealth Management**.

Lynn MacNeil, F.P.L., CIM®, is a Senior Wealth Advisor and Portfolio Manager with Richardson Wealth Limited in Montreal, with 30 years of experience working with professionals and pre-retirees. For a second opinion, private financial consultation, or more information on this topic or on any other investment or financial matter, please contact Lynn MacNeil at 514.981.5796 or Lynn.MacNeil@RichardsonWealth.com. Or visit our website at [www.MVEWealth.com](http://www.MVEWealth.com)

The opinions expressed in this report are the opinions of the author and readers should not assume they reflect the opinions or recommendations of Richardson Wealth Limited or its affiliates. Assumptions, opinions and estimates constitute the author's judgment as of the date of this material and are subject to change without notice. We do not warrant the completeness or accuracy of this material, and it should not be relied upon as such. Before acting on any recommendation, you should consider whether it is suitable for your particular circumstances and, if necessary, seek professional advice. Past performance is not indicative of future results. Richardson Wealth Limited is a member of Canadian Investor Protection Fund. Richardson Wealth is a trademark of James Richardson & Sons, Limited used under license.