



# The Rennie Quarterly Return

Rennie & Associates  
Financial Planning  
September 30, 2017

## Finding Your Safe-Space

Everyone needs a “safe-space,” a term originally associated with educational institutions but, as any space abhors a vacuum, expanded infinitely into all aspects of the social experience. A safe-space is a metaphorical location where one finds shelter from the slings and arrows of marginalization and oppression, among other things. For most of you, I suspect your safe-space is your home and family.

Wouldn't it be nice if a safe-space existed in the stock market? Someplace you could put your money and sleep soundly, knowing it would appreciate nicely and be there when you need it down the road? Fortunately, there appears to be.

### It's A Casino

It is often heard, typically over cocktails, that “the stock market is just like a casino.” It's “rigged” against small investors. I could go on...

This analogy couldn't be further from the truth and here is why: Everyone who visits a casino knows, or should know, that the odds favor the house. The longer you sit at the table, the greater the odds of losing. Stay long enough, and you may go home broke. This is the law of large numbers at work and the cornerstone in all Las Vegas foundations.

If the stock market was like a casino, the same truth would hold. However, it does not. In fact, the longer one sits at the stock market “table,” the odds of losing fall. Historically, if you sat long enough, the odds of losing dropped to zero. But how long did you need to sit?

### Pick A Comfortable Stool

Using rolling quarterly return data since 1925 for the S&P 500® Stock Index, here are how the odds stack up: An impatient stock investor who holds the Index for only 1 year lost 25% of the time, and the maximum loss was -68% (June 1932). However, if the investor sat at the table for 5 years, they lost only 13% of the time, and the maximum loss dropped to -17%/year. Sit for 10 years and losses drop to 6% of the time (-4% max.) Miraculously, an investor willing to sit for 15 years or longer essentially never lost. 15 years is roughly one-third of a working career, a time when a simple buy-and-hold strategy can be employed in a 401k Plan or IRA.

An investor willing to sit 40 years, a typical career, always did very well. The lowest historical return was +8% per year. The highest was 13.5%, and the average was 10.9% per year.

### The Safe-Space

The graph below encapsulates the data into a geographical representation of the stock market's safe-space. It shows the two simultaneous effects of a patient stay at the table: First, risk of a loss drops the longer an investor sits. Second, the dispersion of return outcomes tightens. Both contribute to a successful stay at the table for a patient stock investor.

Based on history, an investor looking for their safe-space in the market can easily create their own by embarking on a long-term (15-year +), buy-and-hold journey. That said, future returns could depart from historical patterns, but experience is the often best teacher.

Many are tempted to try to improve already favorable odds by timing the market, getting out ahead of dips, etc. In fact, it has been shown that doing so decreases the odds of success.

Gary B. Rennie, CFP®, AWMA®  
Chief Executive Officer  
Phone/Fax: (949) 679-4775  
Email: [gary@rennieandassociatesfp.com](mailto:gary@rennieandassociatesfp.com)  
[www.rennieandassociatesfp.com](http://www.rennieandassociatesfp.com)

My Two



“Patience is a virtue, and I'm learning patience. It's a tough lesson.”

Elon Musk



### Quarterly Trivia:

\$1 invested in the S&P 500 Index in 1925 would be worth how much today?

Approximately \$6,600

S&P 500® Index - Realized Return By Holding Period (1925 - 2016)

