Lessons from 50 Years of Market History

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"Since no one knows what the market will do, what can investors do to protect and grow their savings?"

The Key to Investment Success is Reducing Risks

The financial security of most investors depends, almost entirely, on the performance of the overall stock market. Unfortunately, all attempts at forecasting the long-term direction of the stock market have always been and will remain idle speculation. We do not claim to know what the market will do. But we do have valuable information to share with you.

The three charts below illustrate the variability in the historical performance of the US stock market. In some periods the markets have been extremely rewarding, in other periods very punishing. But we do not know what the market will do tomorrow, next week or next year. Only fools and liars know the future. These charts also illustrate just how erratic, volatile and dangerous the stock market is. All we can say about the price of the ***overall*** stock market is: it will rise and fall significantly and unpredictably. So why not wait and buy only after the market falls significantly?

My mom shared many wonderful idioms, one of her many favorites was; "Haste makes waste". Another was; "fools rush in where angels fear to tread". Maybe mom was too cautious, but never a fool. Buying stocks after the market has reached all-time highs, given the economic problems we face seems very dangerous to us.

This site will show you a method of investing that has <u>low risks</u>, <u>low costs</u>, and <u>low stress</u>. You will find this method <u>logical</u>, <u>easy to understand and easy to implement</u>. Investors whose primary goal is to conserve and grow their retirement savings will find this approach both prudent and reasonable.

When can you find the most bargains: After the market hits new highs? or After the market falls dramatically?

Why can't (or won't) you wait for lower prices?

If America once again experiences high inflation and high interest rates, the stock market may be crushed. How will the federal fiscal mess be resolved? How will our fiscal mess impact stock prices, in the future? Can America ever balance its budget? Can America borrow an ever increasing amount of money without serious economic consequences? Can America ever repay its debts? Why invest now, after the market has risen to historic highs, with all these issues outstanding?

Would anyone on Wall Street EVER urge you to sell and patiently wait for better times to buy? Why not wait?

Make no mistake about it, we urge you to sell (9-12-2013). We know the market can go higher; we are sure it can go higher. We are also certain that it can go lower, much much lower. We advise mature investors to avoid hot markets in favor of investing when everyone else has their panties in a knot. We are confident that there will be better buying opportunities; investors panic again as they always do.

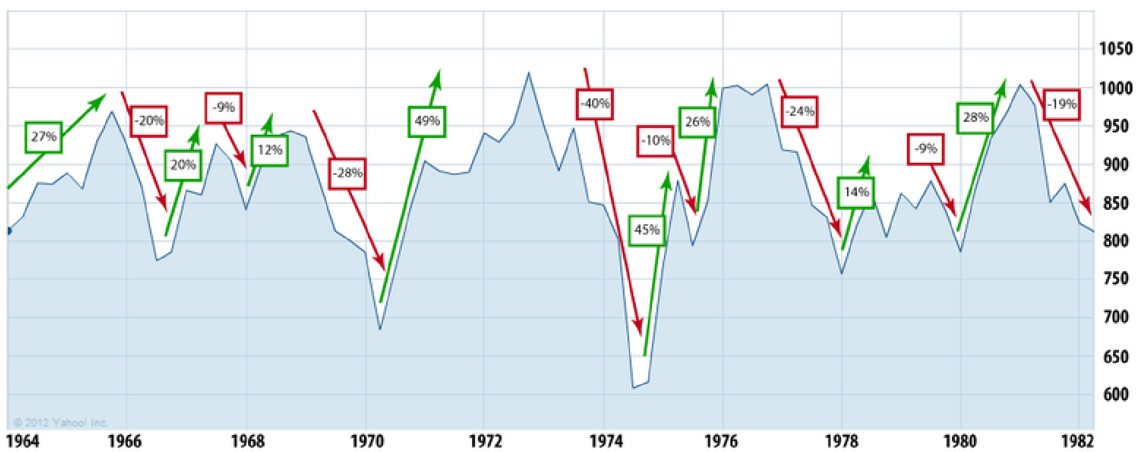
The charts below show three radically different investment periods. No one could have known or predicted the performance of the markets in these three prior periods. No rational person would have predicted the extreme volatility of the past 50 years, and no one knows what the future will bring! We've developed an "All-Market Strategy" for protecting capital. We look forward to sharing our ideas with you and hope you'll contact us with questions and your opinions.

Three Major Periods, Over Past 50 Years

Period 1:

In this period the stock market made fools and paupers of the investment optimists. Not only did stocks fail to perform, in this period the purchasing power of the US dollar fell almost 70%!

From 1964 to 1982 the market lost 12.87%. Why such poor performance? Could the next 18 years be similar? Note, in this period, inflation eroded our purchasing power by 70%.



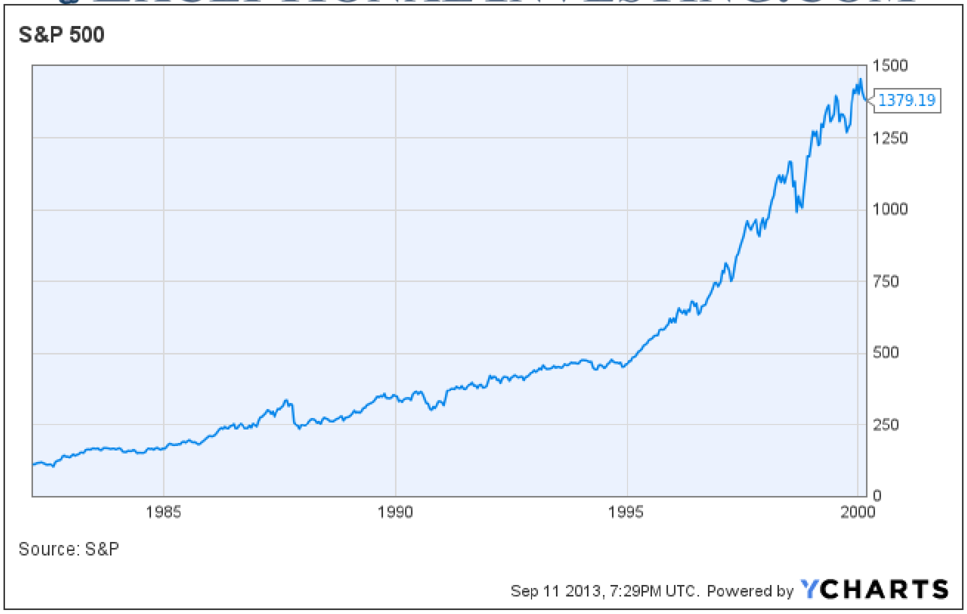
In the eighteen years from 1964 to 1982 the Dow Jones moved up and down, but ended down nearly 13%.

With all the growth in our country during this period, would a rational person have forecasted such terrible performance of the Dow Jones Index? Any explanation is just speculation because prices always reflect human emotions. No one knows why people feel optimistic in some periods and speculate down to their last penny, while in other periods investors ignore even excellent, low-risk, opportunities.

Period 2:

In the subsequent 18 year period the stock market made fools of the pessimistic market forecasters.

From 1982 to 2000 the market gained over 1100%. Why such great performance? Could the market provide such rich returns in the future? Are you prepared to bet your entire financial security on that assumption?



From 1982 to 2000, the market gave investors tremendous gains.

Given the two charts shown above, what could investors expect from the market in the future?

Period 3:

In the past thirteen years, the market has given us almost zero gains, and with ever increasing, wild volatility. The economy has performed similarly.

For the past 13 years many investors lost fortunes. It paid to get out after the market rose and get back in after a fall. Could this strategy be best for the future too? We're not sure; that's why we developed an "all-market strategy".

Concluding Thoughts

Wall Street likes to say that the stock market is a "discounting mechanism". This statement gives far too much credit to investors who set prices. Clearly, most investors betting one way, then another are just gamblers. Every bet will have a winner and a loser. In the market the winners are praised as brilliant, and maybe they are. But maybe they're no more or less brilliant than the lottery ticket winner who developed a complex method of picking numbers.

With federal, state and corporate debts continuing to rise to historic proportions, might this serve as a warning sign for investors that the economy will at some point either suffer serious inflation or worse? We think so, but remember, stock prices are set by the masses, who buy and sell based on emotions. Therefore stock prices do not conform to rational or logical formulas. Prices, in the short run, do not necessarily reflect the actual value of a company. This fact creates the greatest opportunity for rational, well informed investors. It is the misalignment of stock prices and stock valuation that provides rational investors with opportunity. If prices always reflected the value of a company there'd be little opportunity for profit. When the masses pile into the market with all of their savings, the market can rise to record-breaking levels. And when investors panic and sell stocks to ridiculously low levels, great bargains can be had.

No one knows what the market will do. The market's performance from one period to another has always been and will continue to be extremely volatile and unpredictable. Therefore, an investment approach that depends on the performance of the overall market is nothing more than a highly speculative gamble. **To approach the market rationally, looking at company financial statements and understanding how past trends on a company's balance sheet might indicate its future is a rational and prudent approach to conserving and building investor wealth.**