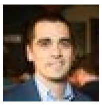
Twitter Thread by Nick Maggiulli



Nick Maggiulli
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\1 Are you ever afraid of investing at market peaks?

Of course you are. So am I.

But…you shouldn't be.

This is a tweetstorm on why not to worry about investing at market peaks, as told from the world's worst market timer.

\2 The world's worst market timer in our story goes by the name of Bob and he started his career in 1970 at the age of 22. Bob saved $2,000 a year for 3 years before making his first stock purchase in December 1972.

\3 Shortly after his purchase, Bob experienced the brutal bear market of 1973-74 where stocks declined by 50%. Bob didn't sell his stocks, but he decided to wait before investing any more of his savings going forward.

\4 After nearly a decade and a half of saving money, Bob felt comfortable again to buy stocks. So, in August 1987, he invested $46,000 (his additional savings since 1972) in the market.

However, in October 1987 the market crashed, down ~30% from its high.

\5 Once again, Bob didn't sell, but was scared to put anymore money in the market for a while. He focused on saving money until the coast was clear.

\6 By the late 1990s, the internet economy was underway and Bob was convinced that it was now safe to try his luck in the markets once again.

So, Bob took the $68,000 he had saved over the last decade and made his 3rd stock purchase in December 1999.

\7 Once again, Bob bought at the worst time as the market declined roughly 50% as the tech bubble burst. Despite his bad luck, Bob held on and kept saving money as he neared retirement.

\8 Over the next few years, Bob went into ultra savings mode and saved up an additional $64,000 before putting it into the market in October 2007.

However, shortly after, the Great Recession hit and wiped out half of his stock portfolio.

\9 Once again, Bob weathered the storm by holding on. In late 2018, Bob retired at the age of 70. By the end of his career he had made stock purchases totaling $184,000, yet had a final portfolio value close to $800,000.

\10 As you can see in this image, Bob made 4 purchases at the absolute worst times. Yet, he still did quite well, earning a money-weighted return of 5.5% annually (inflation-adjusted) through August 2018.

So what was Bob's secret?

HE NEVER SOLD.

\11 So next time you worry about buying at market peaks, remember Bob's story. Remember how he didn't sell through the tough times, how he kept saving, and how he did okay despite his terrible luck.

\12 Bob isn't a real investor, but dreamed up by @awealthofcs to demonstrate the power of markets and compound interest.

Of course, not every market has had the same growth as the U.S., but a broad investment in equities would have done well historically.

\13 Though I don't know whether this will be true in the future, I wouldn't bet against global stock markets.

Humans have been doing innovative things for centuries and they will likely continue to do so in the future.

\14 The better questions are:

Will you stick to your financial plan?
Will you own a globally diversified portfolio?
Will you be able to hold when markets get rough?

I hope so.

\15 Thank you for reading and happy investing from Of Dollars And Data!

If you want to read Ben's (@awealthofcs) full article, which this idea is based on, you can find it here:
https://t.co/IaRTV1DlT5