

12 Fundamental truths of investing¹



As every investor knows by now, the year 2000 was the first down year for the market since 1990 and the first prolonged period of market turbulence for anyone who bought their first stock or equity mutual fund in the last five years. We thought it might be a good time to review "12 Fundamental Truths of Investing." This is by no means an all-encompassing list, and many of these "truths" may now seem self-evident. Still, these are good rules of thumb for investors to keep in mind.

- 1] Over the long term, stocks have had greater total returns than bonds.
- 2] Over the long term, bonds have had greater total returns than money market funds.
- 3] Over the short term, stocks have been much riskier than bonds.
- 4] Over the short term, bonds have been much riskier than money market funds.
- 5] You will make investments that go down immediately after you buy.
- 6] You will sell investments that continue to go up after you are out.
- 7] You will hold some investments too long.
- 8] The value of the opportunities you miss will dramatically exceed those in which you participate.
- 9] Someone, or some group of people, will always do better than you.
- 10] You don't pay a financial advisor for information — you are paying for knowledge, wisdom and personal guidance.
- 11] Accept uncertainty. All investment decisions are based on multiple guesses about the future.
No one knows where the market will be next week, next month or next year.
- 12] Money can only be made in the future — it's impossible to invest in past returns.



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