As I sit here on a fall Saturday afternoon watching the Presidents Cup golf matches, it truly amazes me how well these professional golfers get what is called "up and down." They have amazing short games. "Drive for show, putt for dough." True words around golf. This is the main factor that leads to such productive short games. Professional golfers spend more time and focus on their short games than any other aspect of golf. Most amateur weekend golfers do the exact opposite (present company included). We focus on the long game. We focus on questions like "Should I buy a new driver?", "How much farther can I hit the ball?", and "Should I hit a fade or a draw?" Professional golfers show us each week that we are focusing on the wrong aspects of golf. Focus on the short game, not the long game.

It strikes me that successful investing requires the exact opposite paradigm. Focus on the potential for long-term results and try to ignore short-term volatility. Intellectually we all know that whenever the stock market and the economy have periods similar to the one we are in now, at some point things are going to get better, recover, and even hit new highs. Why do we intellectually believe this? Because they always do. "Why is this time different?" We often hear this phrase ring out when the market enters a correction.

I am going to try to lend a bit of perspective that may help you ride through this downturn and maybe even sleep a bit better at night. The day I started my first job on Wall Street was June 10, 1987, and the Dow was at 2,353.61. Throughout September 2022 it averaged 30,889. In 1970 the S&P 500 stock index was 92 (that's right, 92) and the companies that compose the index earned $5.51. Today many estimate that the S&P will earn between $220-$225 with the index at $3,693. The average return over that period of time is just over 10% per year including reinvestment of dividends. Many forecasters are comparing our current economic environment to the 1970s. I know I would sign up immediately for the returns over the past fifty years if I could. We also know that during this period the average annual correction for the S&P 500 was upwards of 14% and the market was down 49%+, roughly cut in half on three occasions during this period, yet still averaging approximately 10% per year. Over an even longer period of 96 years since 1926, the average return for the S&P 500 has been 10.5% (including reinvestment of dividends), similar to the returns since 1970. These long-term returns require patience, understanding, and acceptance that the stock market is volatile.

In fact, since 1926, with a 10.5% average return on the S&P 500, there have only been seven years where the S&P 500 index returned between 8 to 12%. This last fact suggests the market generally does not gain around the average. The returns fluctuate and have much more variation. Once again, this is called volatility.

What do all of these numbers suggest? They suggest that over the short term the market is very volatile and extremely difficult to predict. I would strongly recommend that you look at the financial markets the way many of us weekend golfers look at our golf games. Focus on the long ball and accept that short-term volatility is the cost of greater, longer-term results. Long-term success as an investor requires patience, understanding, perspective, and acceptance that the stock market is volatile, frustrating at times, and can cause some sleepless nights. So, hang in there and, to paraphrase one notable investor, prepare to be greedy when others are fearful, and fearful when others are greedy.

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