



SBA Special Report

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Market Timing

Time – not timing – is on your side

Like trying to pick the Super Bowl winner before the season starts, attempting to time the ups and downs of the stock market is comparable to a roll of the dice. Even the savviest of investors can't be 100 percent sure of the outcome. Time in the market – not timing it – may be a wiser strategy.

No fortune in fortune telling

Imagine if you met with a financial advisor who hovered over a crystal ball and told you he could see the future. You'd probably walk out immediately (or at least check for the hidden camera). But if you rely on market timing to make your money, you might as well be visiting a fortune teller. No one can predict the future.

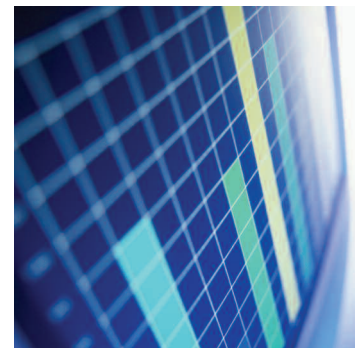
Market timing, to some degree, involves doing just that. It's an investment strategy that attempts to identify the best times to be in the market – and when to get out – in an effort to reap the greatest rewards.

But to successfully time the market, you'd have to be able to **anticipate** trends and factors that contribute to investment performance, not simply

react to current market conditions. Investment professionals are much more qualified to make such decisions. But even they can't guarantee success – and they'll be the first to tell you that market timing is a risky proposition.

Missing out on a good time

The real risk of market timing is missing out on the market's best performing cycles. For example, an investor, believing that the market will go down, takes his money out of stocks. While his money is out of stocks though, the market may have its best-performing days. By incorrectly trying to time the market, this unfortunate investor missed out on those profitable days.



Missing only the 10 best days over a 10-year period could have a significant impact on your overall returns; missing more than that could have an even greater negative effect.

The following chart shows the impact of missing the best days of the market versus staying the course and remaining fully invested, using a \$10,000 investment in the S&P 500 over 10 years.

Missing the Market's Best Days is a Costly Mistake

December 31, 1996 – December 29, 2006

Investment Period	Average Annual Total Return	Growth of \$10,000
Fully invested	8.42%	\$22,440
Missing the 5 best days	5.67%	\$17,352
Missing the 10 best days	3.41%	\$13,980
Missing the 15 best days	1.44%	\$11,536
Missing the 20 best days	-0.38%	\$9,629

Source: Commodity Systems Inc. via Yahoo.com; Bloomberg

Hypothetical example. Returns assume reinvestment of all dividends. Past returns don't guarantee future results. The S&P 500 Index is an unmanaged group of stocks considered to be representative of the economy in general. This index is not available for direct investment.

Use your time more wisely

As the chart shows, a wiser strategy is to buy and hold your investments over a long period of time. By doing so, you'll be able to participate in any top-performing days. Plus... by using a buy and hold strategy, you'll have the power of compounding working for you. This means that the money you have invested actually works to make more money for you.

A routine checkup

Now that you know that buy and hold is the best strategy, you may be wondering "What else can I do?"

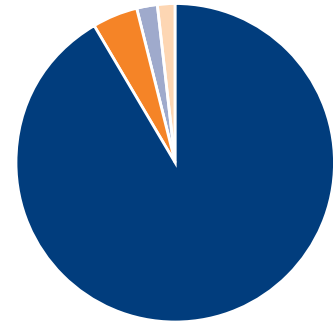
Well, just as your body needs a regular physical examination, your portfolio also needs a routine checkup.

Annually, review your portfolio to make sure your asset allocation is still on-track to help meet your financial goals. As your needs change, you may want to rebalance your portfolio and ensure that you have the right mix of higher and lower risk investments.

Asset allocation, not market timing, most significantly determines your portfolio performance.*

* A landmark study, "Determinants of Portfolio Performance," by Brinson, Hood and Beebower, presented in *Financial Analysts Journal* (May – June, 1992), and its update in 1996, showed that asset allocation decisions, far more than any other factor, affected the long-term performance of an investment portfolio.

Portfolio performance is determined by:**



- Asset Allocation – 91.5%
- Individual Investment Selection – 4.6%
- Other – 2.1%
- Market Timing – 1.8%

** "Determinants of Portfolio Performance II: An Update." Brinson, Singer and Beebower, 1996.

Time – not timing – is on your side

While market timing, on the surface, may appear to be quick way to reap great rewards, it's a strategy best left to investment professionals who have a comprehensive understanding of the markets. As an individual investor, time – not timing – is a better approach. That means staying invested for the long haul... and throwing away that crystal ball!

KEEP LEARNING

To learn more about how to make the most of your retirement savings, see **SBA's Special Reports on Asset Allocation, Diversification and other key investment concepts. Or talk to your SBA representative.**

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