Texas Capital

The power of staying invested

How long-term horizons and a diversified portfolio can help secure your legacy

Even seasoned investors can get caught in the market roller coaster and make decisions driven by volatility. Staying invested can seem counterintuitive, but history has shown long-term horizons and a well-diversified portfolio are key to weathering bear markets and protecting wealth.

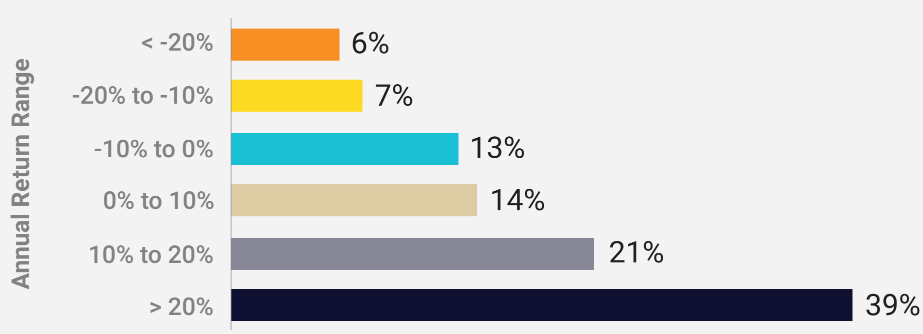
> "A properly diversified portfolio can limit risk over most time periods."
>
> – **Steve Orr,** *Texas Capital Chief Investment Officer*

In fact, riding through bear markets consistently yields larger long-term gains. Between 2010 and 2020, the cumulative price return of the S&P 500 was 46%, but if you missed the 10 best days in that decade, your return would have been -17%.[1]

"And that's just a recent illustration of this effect," said Orr. "The 10 best days holds throughout market history.[2] From 1928, your average annual return would be cut in half just missing the 10 best days. Those 10 best days come during bear markets."

Ups and downs are unavoidable, but as you build your legacy, there are key steps you can take to help preserve your wealth.

Over stock market history (1926-2023), stocks have been positive in 74% of calendar years.



Source: Global Financial Data and FactSet, as of 1/5/2024. S&P Total Return Index data, annual, 1926–2023.

Don't act on emotions

When the market dips, you might think of selling for fear it will continue declining. But avoiding impulsive reactions is key: Even with double-digit drops in certain years, the S&P 500 has had positive returns most years.[3] Short-term moves can be detrimental to long-term gains, and pulling out money could mean missing a large increase.

It's also important to put politics aside. The sitting president can impact the economic climate, but many macroeconomic factors — including GDP and inflation — drive the markets. Past performance while one political party is in power doesn't mean the performance will be repeated: Each Republican administration between 1969 and 2009 led to vastly different S&P 500 returns.

Leverage the power of dividends

Following a "buy and hold" strategy of dividend ETFs will allow you to capture the market's dividend yield — and those dividends can compound over time. From 1930 to 2021, dividend income's contribution to the total return of the S&P 500 averaged 40%.[4]

ETFs offer broad market exposure and can mean lower costs for investors. This works as a money-multiplying tactic and can help accelerate wealth building through long-term investments and reinvested dividends.

Minimize risk with dollar-cost averaging

By implementing dollar-cost averaging and investing a fixed amount at regular intervals, you can help reduce the impact of market volatility. This averages out costs and helps minimize risk associated with poorly timed lump-sum buys. During a 10-year period that ended December 31, 2020, mistimed purchases and sales meant that investors, in aggregate, earned about 1.7 percentage points less per year compared with reported total returns.[4]

"There is never a wrong time to consult with your investment advisor. In fact, when times feel good, running scenarios for what actions your advisor can take in a bear cycle is an excellent idea."

– Steve Orr

Texas Capital
Chief Investment Officer

Build your legacy with Texas Capital

No matter your investment strategy, unexpected market fluctuations can be unnerving. It's important to know what level of risk it takes to achieve your investment goals and when to revisit your strategy.

Texas Capital Private Wealth Advisors work with you to understand your unique goals and provide a personalized approach to wealth management.

Click here to meet with your advisor or to schedule a time to meet with an advisor in your area.

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[1]Bloomberg LP, Factset, NASDAQ, [2]Ned Davis Research,
[3]Bloomberg LP, Standard & Poor's, [4]Morningstar