T. Rowe Price
INSIGHTS®

INVEST WITH CONFIDENCE®

Take the Long View

Staying focused on your plan can help you reach your long-term goals.

Market conditions always will change. And while we can't control when these changes will happen, or how dramatic they may be, we can control our responses.

It's important to not let any short-term price swings distract you from your long-term strategy. As long as your asset mix accurately reflects your financial goals, time horizon, and risk tolerance, sticking to your investment plan could prove rewarding over time. And decreasing your equity allocation for fear of losing money could put you at greater risk of running out of money in retirement.

Stay the course

The short-term factors affecting stock prices can be difficult to determine. Over the long term, however, stock investing has provided a way for individuals to share in the growth of the world economy. Consider the returns of a hypothetical $100,000 investment in the Bloomberg Barclays U.S. Aggregate Bond Index versus the S&P 500 Index over the same 25-year time frame. If the assets had been invested in an all-bond portfolio, the value would have grown to about $379,510. If it had been in all stocks, on the other hand, the account would be worth around $1,009,880—substantially more than the all-bond portfolio. (See "A Long-Term Approach to Stocks.")

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KEY POINTS

- Markets may reward investors who aren't short-sighted.
- Consider the historical returns of stocks, which have shown resilience and growth potential over the long term.
- The more time you have before you need to access your investments, the more prominent role stocks should play.

Over the long term, stock investing has provided a way for individuals to share in the growth of the world economy.

Use the past as a guide

To better understand how stocks have performed over longer time periods, consider historical performance. Past performance cannot guarantee future results; however, if we examine the S&P 500 Index from the beginning of 1926 to December 31, 2017:

- There have been 83 rolling 10-year periods since 1926. The S&P 500 produced gains in 79 of them and losses in four—meaning the market increased in 95% of 10-year time frames.
- Stocks produced positive returns in every rolling 15-calendar year period since 1926.
- During the 63 rolling 30-year periods since 1926, the stock market's worst performance was an annualized return of 8.5%.

These historical returns illustrate how stocks have shown resilience and growth potential over the long term. That said, there also are important reasons to hold bonds.

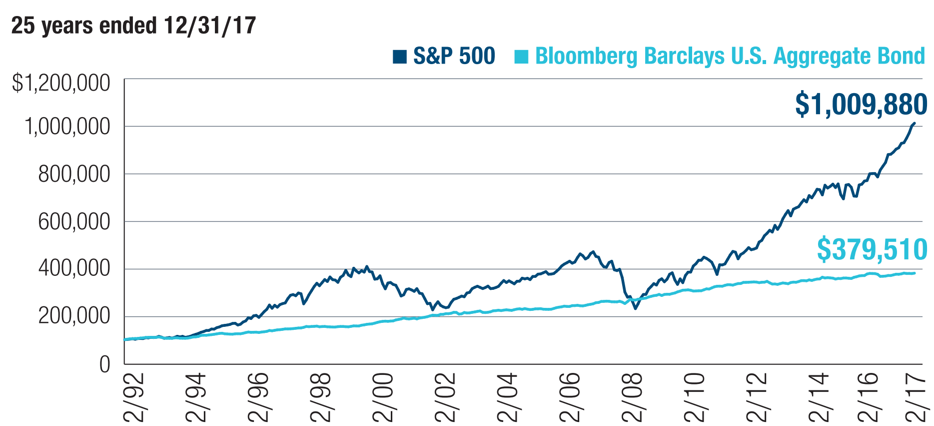
If you have short- or intermediate-term goals, you can help address the risk of near-term stock market losses by having bonds in your portfolio. Bonds typically offer greater return potential than cash and greater stability than stocks, which is important for investors with nearer-term financial goals.

Focus on what you can control

When managing your investments, look beyond what the market is doing at any particular moment and focus instead on adhering to your plan. Continue to save and invest, and maintain an investment mix that is appropriate for your time horizon. These are the variables you can control—and they are the most likely to determine whether you succeed at reaching your investment goals.

A Long-Term Approach to Stocks

While stocks are more volatile than bonds, over the long term, they have offered substantially higher returns than bonds.



The chart shows a hypothetical investment of $100,000 from 12/31/92 through 12/31/17. Stocks are represented by the S&P 500 Index, and bonds are represented by the Bloomberg Barclays U.S. Aggregate Bond Index. This example is for illustrative purposes only. It is not possible to invest directly in an index. *Past performance cannot guarantee future results.*

All investments are subject to market risk, including the possible loss of principal. Diversification cannot assure a profit or protect against loss in a declining market.

INVEST WITH CONFIDENCE®

T. Rowe Price focuses on delivering investment management excellence that investors can rely on—now and over the long term.

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