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Stay invested: The cost of cashing out during a market sell-off

Investors are often tempted to try to time the stock market, aiming for maximum gains by buying low and selling high. However, market timing can cause them to miss out on significant market rallies, potentially resulting in substantially lower returns. Instead, consider a strategic allocation to stocks for long-term growth.

The case for staying invested

The bar chart below illustrates how a long-term investment strategy can generate much higher returns. Let's examine three individuals, each starting with USD 10,000 in the S&P 500 over the past 20 years.

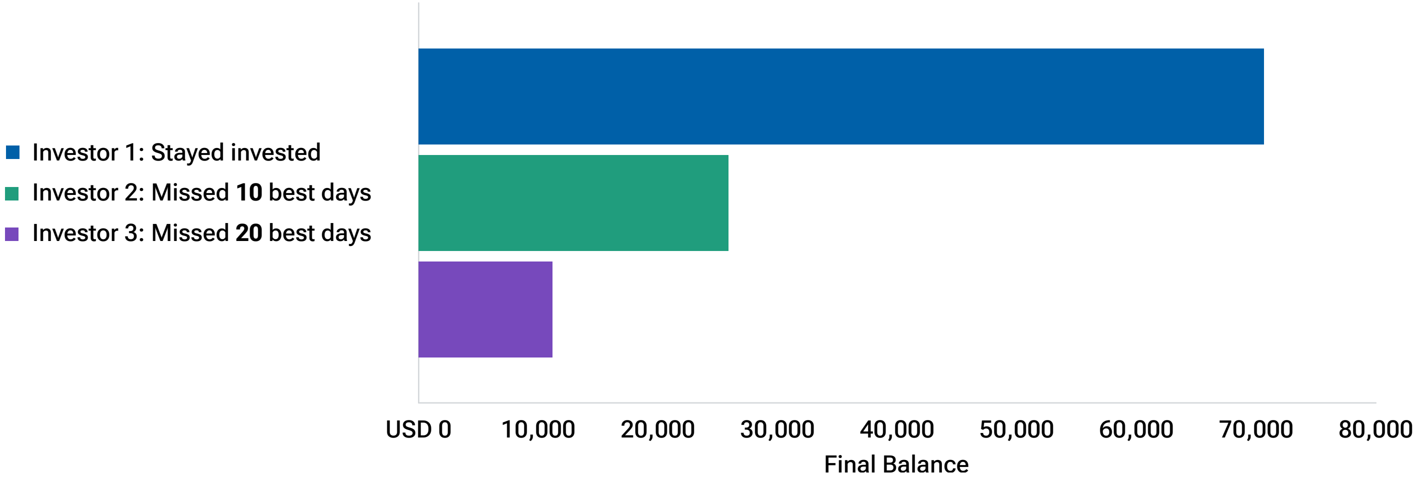
- **Investor 1:** Stayed invested and ended up with USD 70,619.
- **Investor 2:** Missed the 10 best days, resulting in USD 25,866.
- **Investor 3:** Missed the 20 best days, ending with a balance of USD 11,177.

The risks of market timing

These figures underscore the risk of trying to time the market. Short-term investors who mistime their market entries and exits could miss the best days and leave substantial returns on the table. By focusing on long-term goals and adopting a strategic allocation approach, individuals can benefit from growth potential over time.

Staying invested produced a bigger balance over the long term

(Fig. 1) USD 10,000 invested in the S&P 500 (January 1, 2005–December 31, 2025)



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Sources: Analysis by T. Rowe Price, S&P. See Additional Disclosures.
It is not possible to invest directly in an index. Graph is shown for illustrative purposes only.

A balanced approach can be both a driver and a buffer

No single long-term investment will both safeguard investors from market volatility and provide the necessary growth potential to achieve their goals. Instead, they typically rely on a mix of diversified investments across asset classes. Individuals who balance stocks (with their potential for higher absolute returns) and bonds (with their durability, income, and predictability) have historically seen less dramatic swings in their portfolios. Balanced investors trade some of the return upside of an all-equity portfolio for less severe portfolio drawdowns and lower average losses in down market years.

Balanced portfolio performance

(Fig. 2) 30 years ended December 31, 2025

	40% Stocks 60% Bonds	60% Stocks 40% Bonds	80% Stocks 20% Bonds	100% Stocks
Return for best year	18.9%	23.6%	28.4%	33.4%
Return for worst year	-14.8	-22.1	-29.8	-37.0
Average annual nominal return	6.9	8.2	9.3	10.4

These hypothetical portfolios combine stocks and bonds to represent a range of potential risk/reward profiles. For each allocation model, historical index data are shown to represent how the portfolios would have fared in the past. Figures include changes in principal value and reinvested dividends and assume the portfolios are rebalanced monthly. It is not possible to invest directly in an index. This does not represent an actual investment nor T. Rowe Price product and does not reflect fees and expenses associated with investing. **Past performance is not a guarantee or a reliable indicator of future results.** Sources: T. Rowe Price, created with Zephyr StyleADVISOR; Stocks: **S&P 500 Index**, which represents the 500 largest companies in the U.S.; Bonds: **Bloomberg U.S. Aggregate Bond Index**, which represents the intermediate-term investment-grade bonds traded in the U.S.

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