



FINANCIAL FITNESS

Can We Beat the Average?

ERIK FORD, FORTITUDE CAPITAL MANAGEMENT



One of the taglines to the radio show "I.Lake Wobegon" was "where all our children are above average". When it comes to investing, the opposite may be the truth. The independent financial research firm DALBAR conducts an annual analysis called the Quantitative Analysis of Investor Behavior, where it reports how the average investor performs relative to market indexes. Through a detailed analysis of changes in fund assets and cash flows, the study captures the movement in and out of funds, both as to timing and scale. They then compare the results of these changes and the costs involved to the performance of the underlying investments and the results consistently have shown that the average investor underperforms what they invest in.

What is the cause of the underperformance? It is our behavior, of course. No surprise to regular readers of my contributions. The average investor is not a strict buy and hold investor (even if they think they are), but rather a reactive investor buying and selling, making market timing decisions, selling after declines, or buying after gains. In other words, making emotional decisions in a volatile market that feeds our natural reactions to fear and greed. The result of this behavior on long-term portfolio performance is measurably negative.

Over the last 100 years, the S&P 500 (and predecessors) has produced an annualized return of 10-12% with dividends reinvested. During the same period, the average decline intra-year was approximately 16%. Higher in some years, lower in others, but declines of this magnitude give investors pause and make one think, "I must do something". Doing nothing requires discipline and perhaps understanding the costs of unnecessary actions can help with that.

Getting back to the DALBAR study results, they show that the average investor underperformed buy and hold in the same assets by approximately 4% over the last 20 years. The methodology used by DALBAR is accepted by players in the financial services industry. The conclusion to all of this is that underperformance is not due to what we invest in, but rather the actions of us investors and our unwillingness to do nothing.

Erik Ford is the owner of Fortitude Capital Management LLC in Glen Ellyn, IL. He is a CFP® certificate holder, an Accredited Investment Fiduciary®, and a CIFA® professional. Erik Ford and Ford Wealth Management do not offer legal advice. Registered Representative, Securities offered through Cambridge Investment Research, Inc., a broker-dealer, member FINRA/SIPC. Investment Advisor Representative Cambridge Investment Research Advisors, Inc., A Registered Investment Advisor. Cambridge and Fortitude Capital Management are not affiliated. Cambridge does not offer legal advice.

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REAL ESTATE RESOURCE

This is your neighborhood Real Estate Resource page. This information can be useful when trying to compare property values or for just keeping a pulse on the real estate market in our area. For questions regarding the properties listed, or about real estate in general, consult a real estate professional.

The information contained herein has been obtained through sources deemed reliable by Neighborhood Networks Publishing, Inc., but cannot be guaranteed for its accuracy. Any information of special interest should be obtained through independent verification. Dates: Feb 1st through Feb 28th. Supplied by Cindy Purdom-Team Purdom and Co/ RE/MAX Suburban

Address	List Price	Sale Price	DOM	Beds	Baths	SqFt	Style
2n314 Euclid Ave	\$350,000	\$323,500	29	3	1	1,084	Raised Ranch
597 Lowden Ave	\$399,500	\$355,000	98	3	2	1,794	1.5 Story
22W425 Arbor Ln	\$379,900	\$355,000	55	3	2	1,056	1.5 Story
548 Elm St	\$460,000	\$435,000	8	3	1.1	1,590	1 Story
3S240 Burr Oak Dr	\$474,900	\$455,000	86	3	2	1,740	Split Level
22W417 Tamarack Dr	\$440,000	\$465,000	4	3	2.1	1,852	Split Level w/ Sub
2S111 Churchill Ln	\$535,000	\$550,000	72	4	2	1,952	Raised Ranch
23W134 Mulberry Ln	\$549,000	\$570,000	64	3	2	2,204	1 Story
319 May Ave	\$599,000	\$575,000	5	3	2	1,640	Split Level
606 Elm St	\$539,000	\$585,000	8	2	1.1	1,207	1.5 Story
153 Grove Ave	\$629,000	\$629,000	46	3	3	3,200	1 Story
23W160 Woodcroft Dr	\$690,000	\$670,000	100	4	3	3,458	2 Stories
465 Arlington Ave	\$750,000	\$750,000	6	4	3	2,141	2 Stories
844 Hillside Ave	\$785,000	\$800,000	4	3	3.1	1,994	2 Stories
825 Evergreen Ave	\$775,000	\$853,000	6	4	2.1	2,958	2 Stories
360 N Main St	\$1,595,000	\$1,450,000	153	5	5.1	3,719	3 Stories

Client: Cindy Purdom
Size: 1/3
Location: Standard