POGSON & MATT
WEALTH MANAGEMENT GROUP

COST OF VOLATILITY

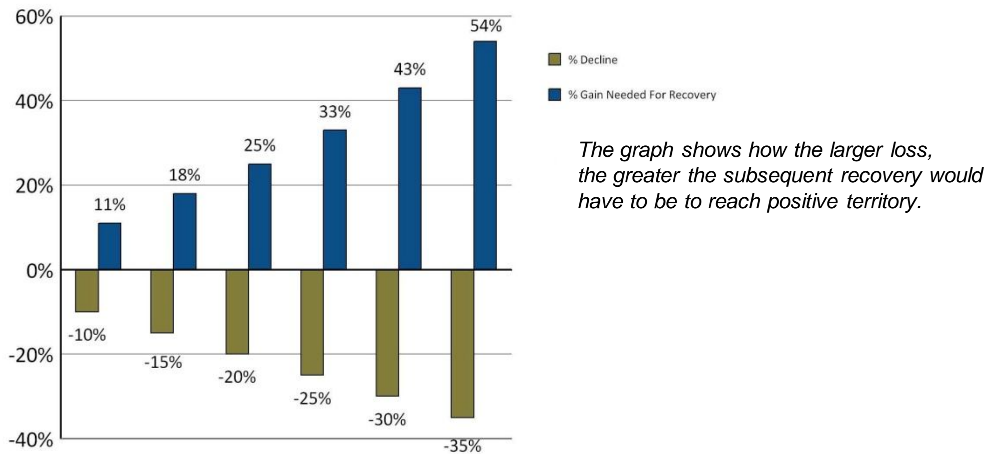
A Mathematical Catch-Up Game

Is it better to accumulate reasonable gains on a yearly basis or have years with exceptional returns combined with years of losses? While occasional large, positive returns may look attractive, ultimately it's consistency that may be the best approach. A closer look at the numbers demonstrates this concept:

If you initially invested $100,000, and the investment went down 15%, the new value of your contract would be $85,000. To fully recover from your loss, based on the new value of your account, you'd need to gain nearly 18% versus the 15% you were down.

$85,000 x .18 = $15,300
+ $85,000
$100,300

DECLINE & RECOVERIES



The graph shows how the larger loss, the greater the subsequent recovery would have to be to reach positive territory.

Or consider this:
A consistent approach to investing, which seeks to avoid negative returns, may prove to be more beneficial in the long run than by aiming for sporadic short-term gains.

INVESTMENT	YEAR 1	YEAR 2	YEAR 3	TOTAL
Option A Returns	+30%	+30%	-30%	= $118,300
Option B Returns	+7.5%	+7.5%	+7.5%	=$124,230

This illustration is for illustrative purposes only. These are hypothetical numbers only and not based upon an actual client account. Past performance does not guarantee future results.

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