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7 Golden Investing Rules to Build Long-Term Wealth

April 4, 2025

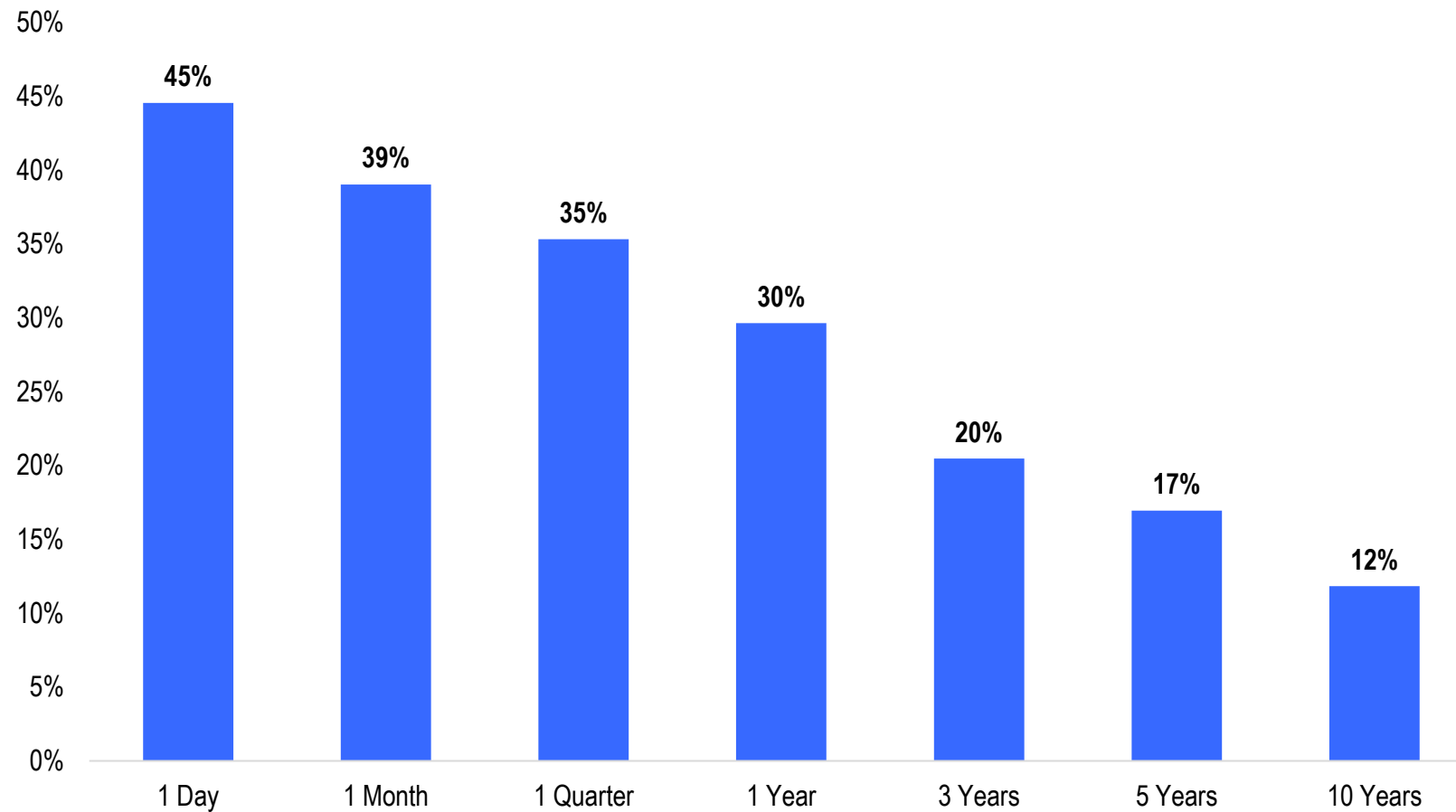


#1 Know Your Time Horizon

As Time Horizons Increase, Equity Losses Drop

Probability of Negative Returns (Based on S&P 500 Total Returns)

01/01/1929 to 02/28/2025



Note: Price returns were considered from 01/01/1929 to 01/01/1988 as total return index is available since 01/04/1988.

Sources: FactSet, S&P Dow Indices.

Volatility is only a risk if you need the money soon.

Investors with long time horizons can afford to weather short-term fluctuations.

Match your equity exposure to your liquidity needs.

#2 Market Timing Is Hard, Time In The Market Is Easy

S&P 500 Cumulative Price Returns By Decade Excluding the 10 Best and 10 Worst Days 01/01/1930 to 02/28/2025

Decade	Price Return	Excluding Best 10 Days Per Decade	Excluding Worst 10 Days Per Decade
1930	-42%	-79%	39%
1940	34%	-14%	136%
1950	257%	168%	426%
1960	54%	14%	107%
1970	17%	-21%	59%
1980	227%	110%	572%
1990	316%	186%	526%
2000	-23%	-62%	59%
2010	190%	95%	351%
2020	84%	2%	253%
Since 1930	27,660%	99%	5,976,745%

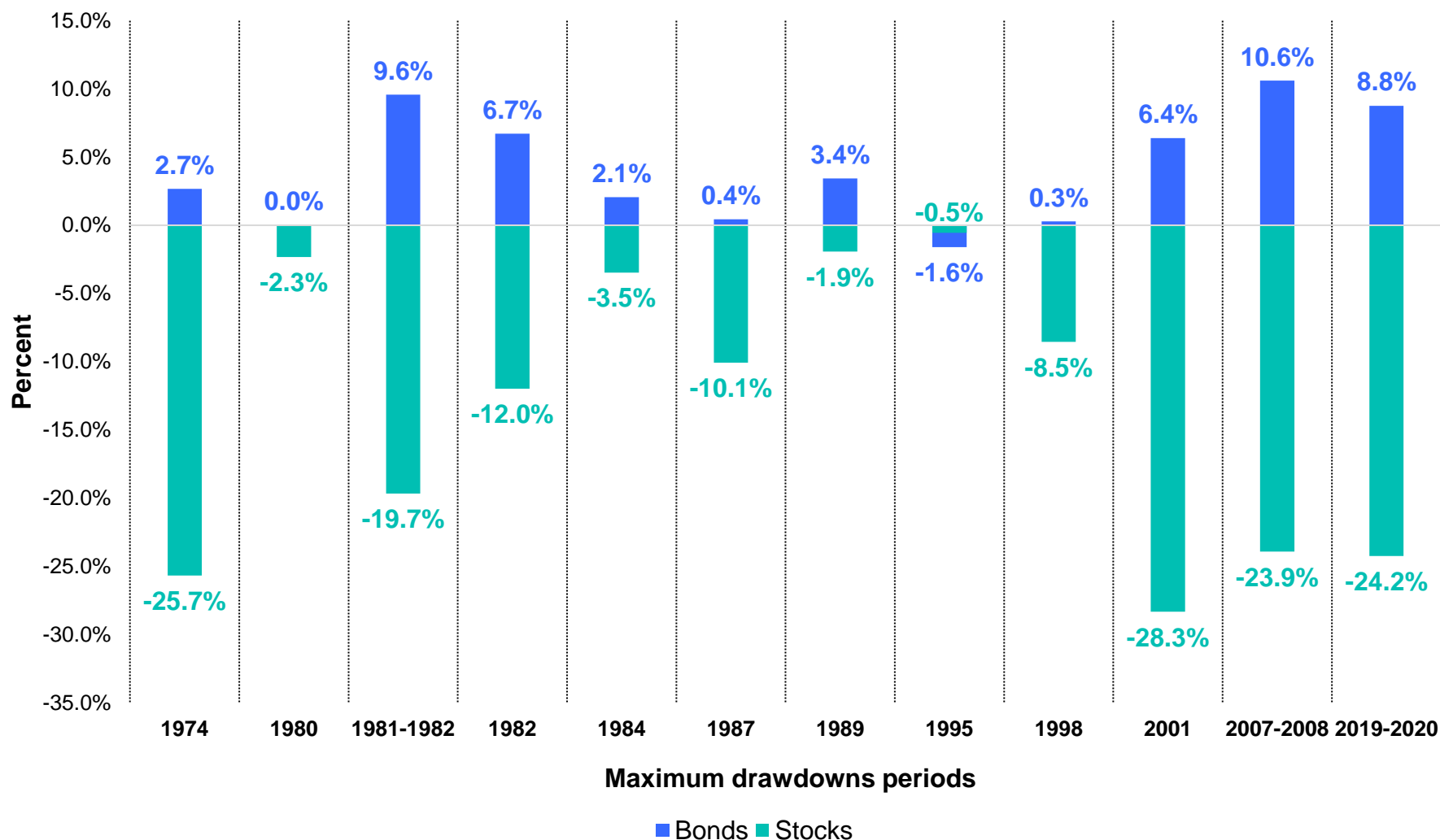
Don't Try to Time the Market.

Time in the market beats timing the market.

Trying to dodge volatility often results in missing rebounds.

Staying invested reduces the risk of missing the best days.

#3 Diversify Thoughtfully



Diversification isn't just a theory - it works in practice.

Treasuries outperformed equities in 11 of the 12 drawdown periods, often by margins of more than 10%.

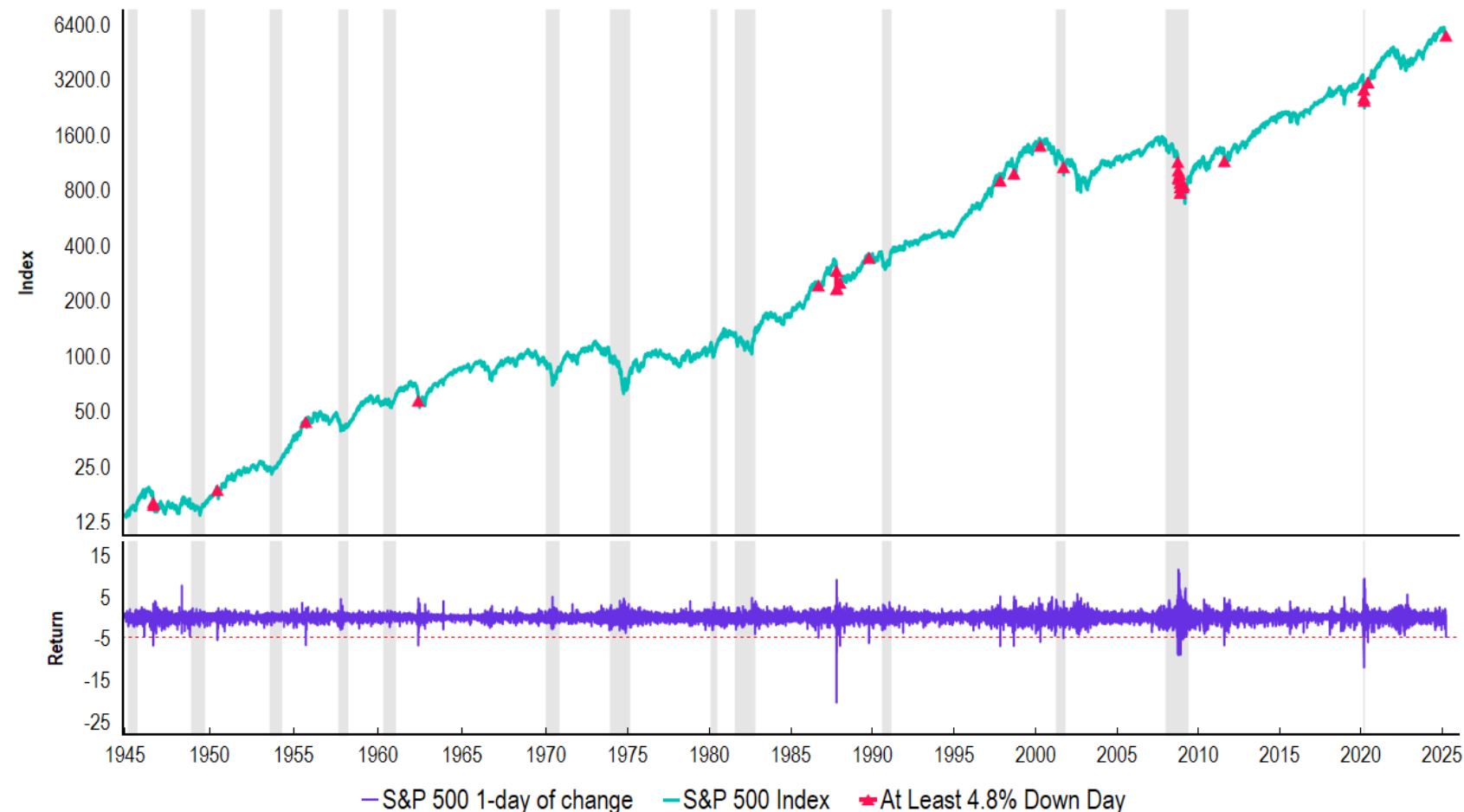
Bonds offered significant diversification benefits in offsetting equity price declines in almost every rate-cut drawdown.

Sources: Bloomberg, Macrobond, S&P Global. Analysis by FT Institute. Performance is calculated using daily total returns in US\$ of S&P 500 Index (1970 base) and Bloomberg US Treasury Total Return Unhedged (USD) Index (for this index, monthly returns were used for periods prior to February 25, 1994).

#4 Use Volatility to Your Advantage

S&P 500 Down At Least 4.8%

Shaded Areas Are US Recessions



“Be greedy when others are fearful.”
Warren Buffett

Market sell-offs often create long-term opportunities.

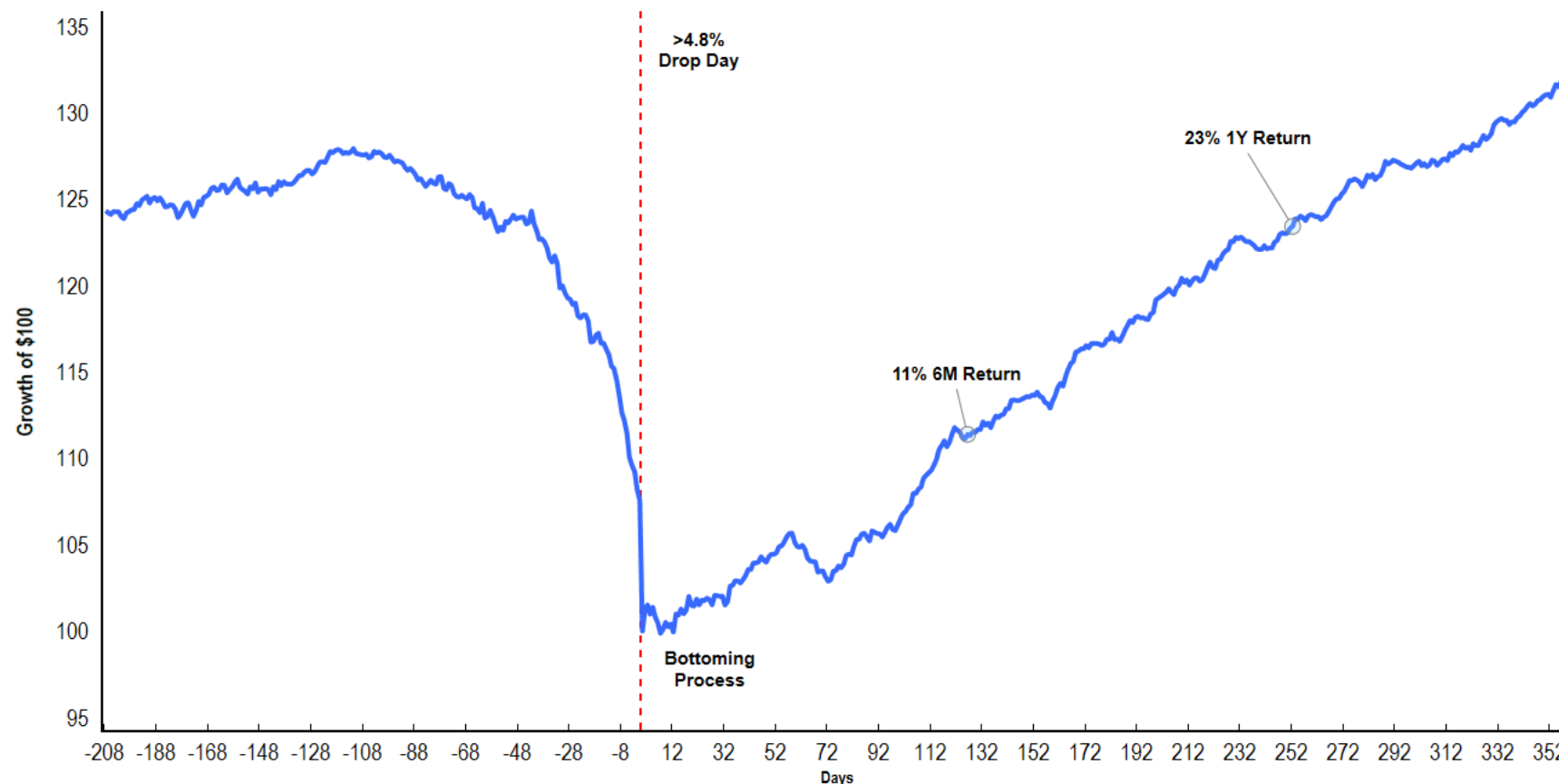
Stay ready to add to quality names at discounts.

As of 4/4/2025
Source: Franklin Templeton Institute, S&P Global, Bloomberg, Macrobond.
Important data provider notices and terms available at www.franklintempletondatasources.com.

#4 Use Volatility to Your Advantage (cont)

S&P 500 Average Trajectory Following At Least 4.8% Daily Drop

Based on 35 instances since 1945



— S&P 500 Average Following 4.8% Daily Drop

“By the time you have a justification of market advance, you don’t have the price.”

Historically, buying into fear has been a smart way to dollar-cost average into markets.

The average 1Y S&P 500 return following a daily drop of 4.8%, or more, is 23%.

As of 4/4/2025

Source: Franklin Templeton Institute, S&P Global, Bloomberg, Macrobond.

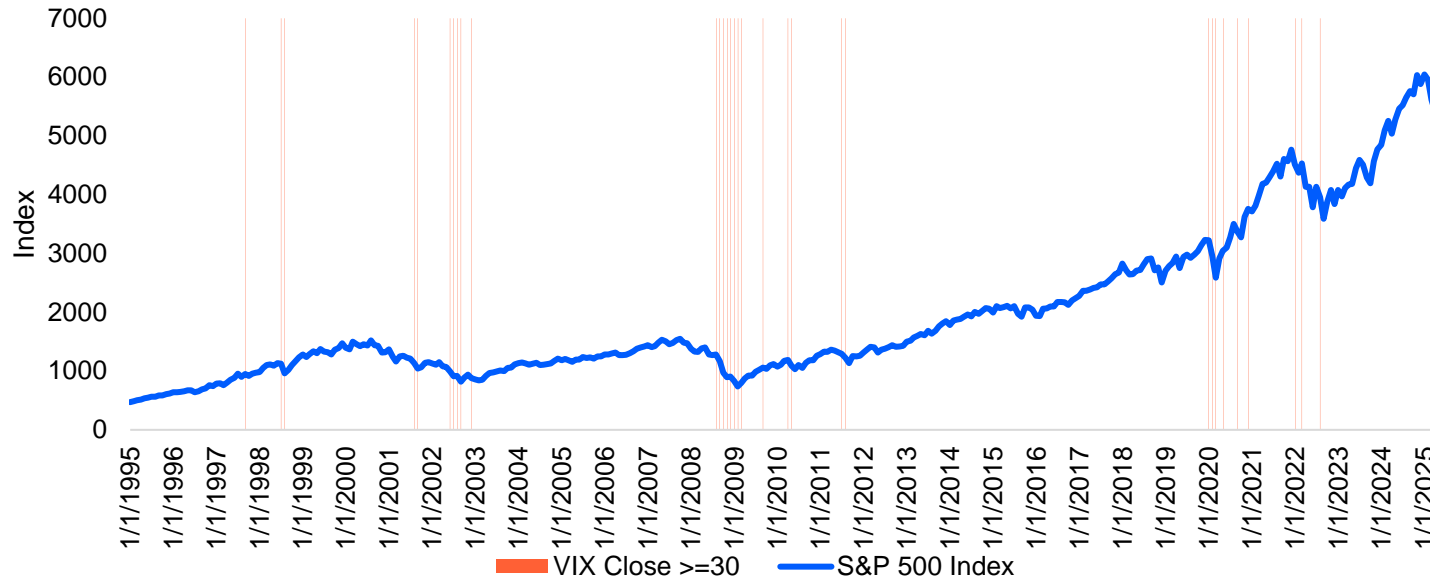
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#4 Use Volatility to Your Advantage (cont)



S&P 500 Index performance after VIX Close at or above 30

Period from 2/1/1995 until 4/3/2025



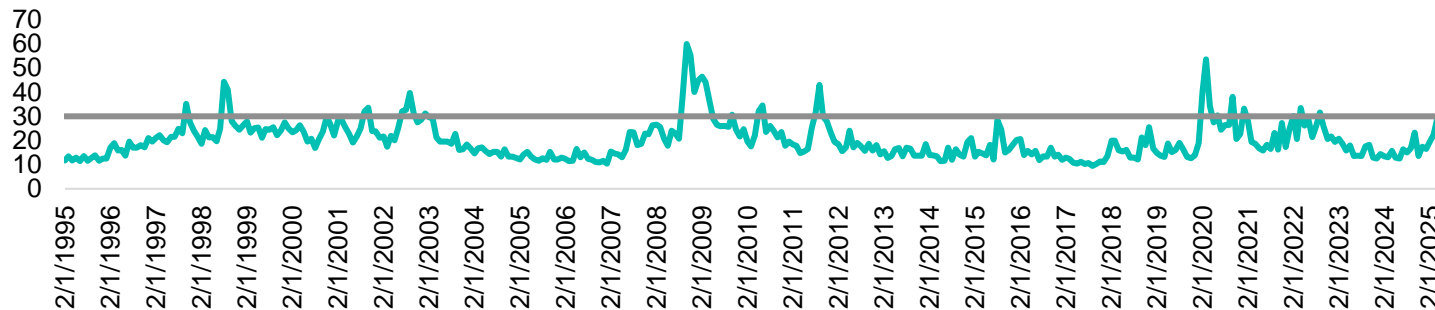
VIX Close (Monthly) At or Above 30				
Period from 2/1995 until 2/2025				
S&P 500 Index Subsequent Price Returns				
	3M Subseq	6M Subseq	9M Subseq	12M Subseq
Average	5.17%	11.85%	17.69%	21.59%
Median	7.12%	14.56%	22.18%	22.85%

When Fear Spikes, Returns Follow

Historically, when the VIX exceeded 30, equity markets were near major bottoms - offering compelling entry points for long-term investors.

The market was on average 22% higher 1-Year later.

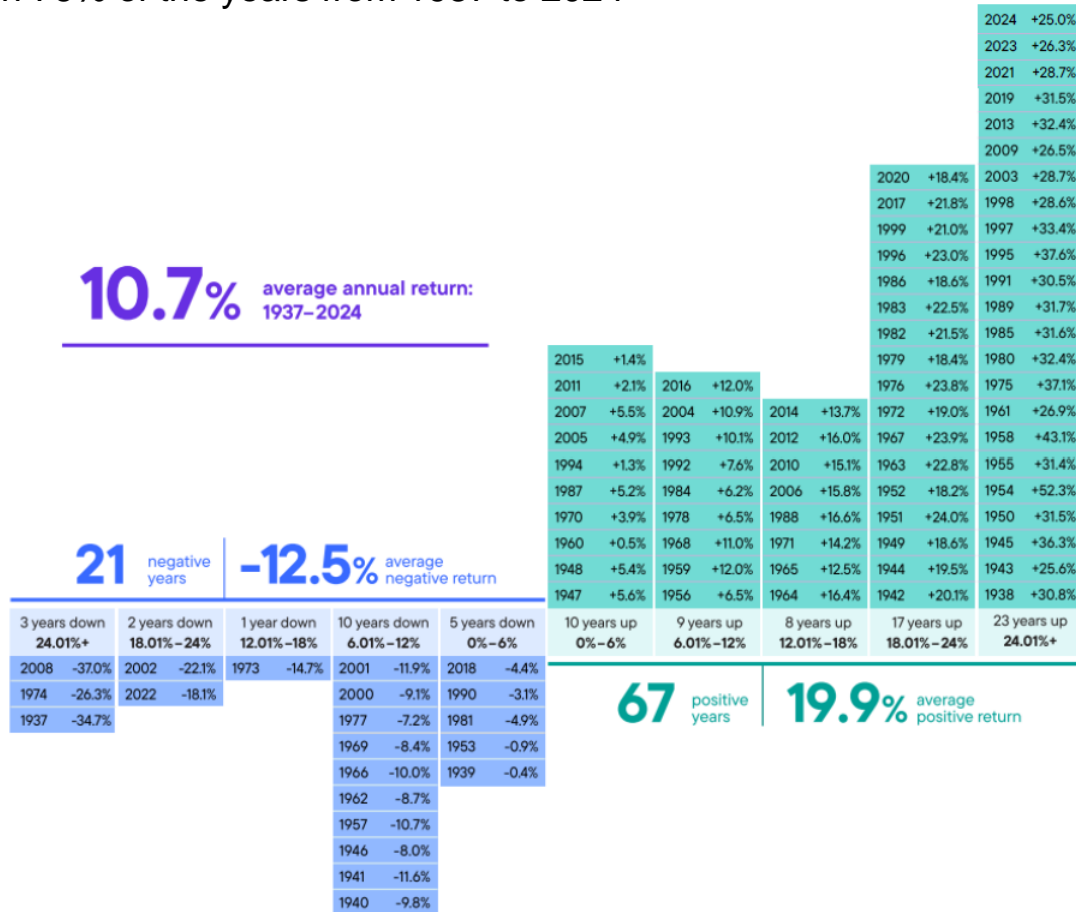
VIX Index Close



#5 Stick To Your Plan

Positive Versus Negative Average Annual Returns for the S&P 500 (1937–2024)

Though the stock market's returns vary tremendously, the average returns for the S&P 500 were positive in 76% of the years from 1937 to 2024



The odds have favored investors who take a long-term approach.

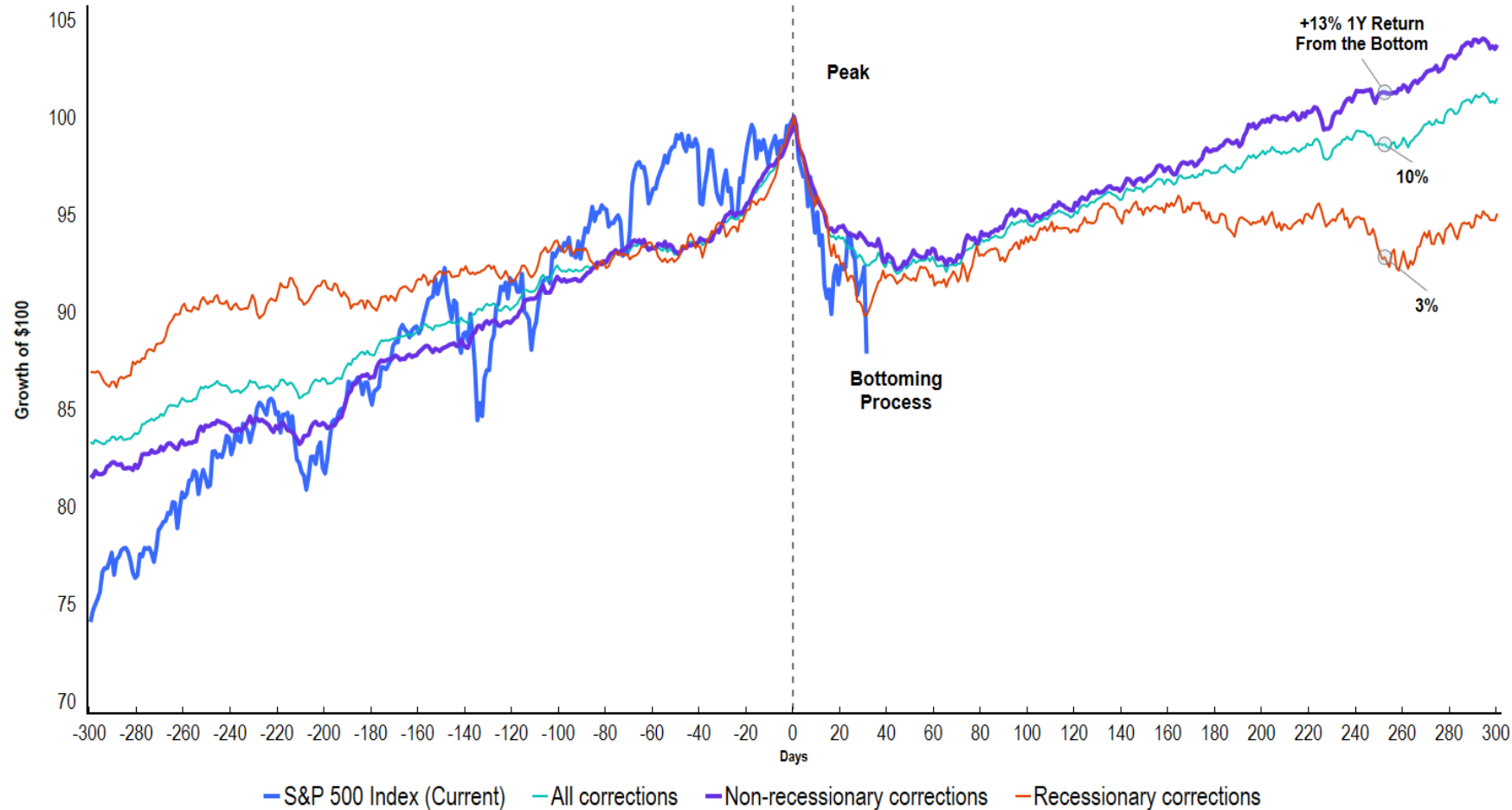
Define your investment strategy in calm times, and follow it in turbulent ones. Reacting emotionally to volatility usually leads to bad decisions.

Remember, US equities rise for over 75% of time and they always recover from the market sell-offs. Always.

Source: Franklin Templeton. Each calendar year listed in chart reflects average annual performance from December 31 of prior year to December 31 of listed year. Returns prior to 1957 are representative of the S&P 90 Index, a value-weighted index based on 90 stocks. Performance shown reflects the effects of dividend reinvestment. This chart is for illustrative purposes only and does not represent actual performance, past or future, of any investment. The S&P 500 Index (S&P 500) is an unmanaged index of 500 stocks that is generally representative of the performance of larger companies in the U.S. Performance does not reflect the impact of fees and expenses. Investors cannot invest directly in an index. Unmanaged index returns do not reflect any fees, expenses or sales charges.

#6 Learn From History

The S&P 500 Trajectories During Market Corrections



As of 4/4/2025
Source: Franklin Templeton Institute, S&P Global, Bloomberg, Macrobond.
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Usually, market volatility spell opportunity.

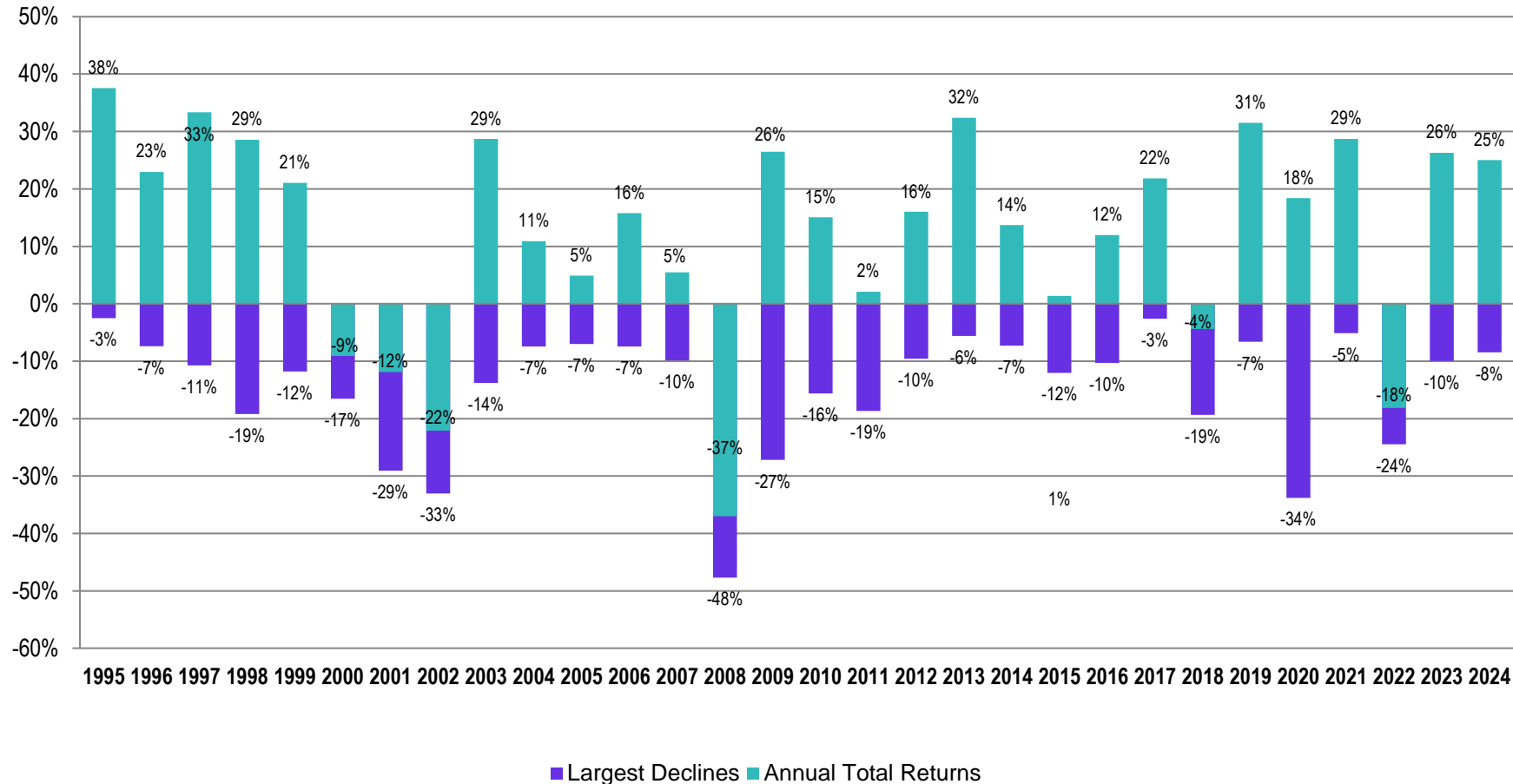
Since 1950, the S&P 500 Index has experienced 38 corrections, defined as declines of 10% or more.

The average correction lasted 44 days, after which the market typically resumed its upward trend.

#7 Be Disciplined

The US Stock Market's Largest Intra-Year Declines vs. Year-End Total Returns

January 1, 1995–December 31, 2024



“To buy when others are despondently selling and to sell when others are avidly buying requires the greatest fortitude and pays the greatest rewards.”
– Sir John Templeton

While it may be tempting to pull out of the stock market during short-term volatility swings, investors may miss out on a potential market rebound and opportunity for gains while they are on the sidelines.

Source: © 2025 Morningstar. All rights reserved. Important data provider notices and terms available at www.franklintempleton.com. US stocks are represented by the S&P 500 Index, a market capitalization-weighted index of 500 stocks designed to measure total US equity market performance. International stocks are represented by the MSCI EAFE Index, a free float-adjusted, market capitalization-weighted index that is designed to measure the equity market performance of global developed markets, excluding the United States and Canada. Indexes are unmanaged and one cannot invest directly in an index. Index returns do not reflect any fees, expenses or sales charges.



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