Time-tested strategies for long-term success

At any stage of your life, a well-constructed financial plan can help you enjoy today, while also preparing for tomorrow.

Use these time-tested investment strategies as part of your financial plan to make the most of your investments and reach your long-term goals.

Time-tested strategy 1

Keep emotions in check, stay the course

Time-tested strategy 2

Invest for the long term

Time-tested strategy 3

Diversify and consider asset allocation

Time-tested strategy 1

Keep emotions in check

How do you handle market volatility? Like many Canadians, you might feel a little anxious. But reining in emotions and making decisions calmly helps your portfolio weather market turbulence.

It's easy for emotions to take over during times of market volatility. Rather than sticking with your plan, you may want to act impulsively and buy or sell investments, depending on how the markets are doing. This could lead you to buy when markets are expensive, or sell when market returns are at their lowest.

Here are some examples over the past 20 years when many investors bought high and sold low.

The largest equity inflows happened during the first quarter of 2000, the time when the market peaked. This caused a trend for investors to "buy high."

One of the largest equity outflows happened between December 2002 and February 2003, a period when the market bottomed. This caused a trend for investors to "sell low."

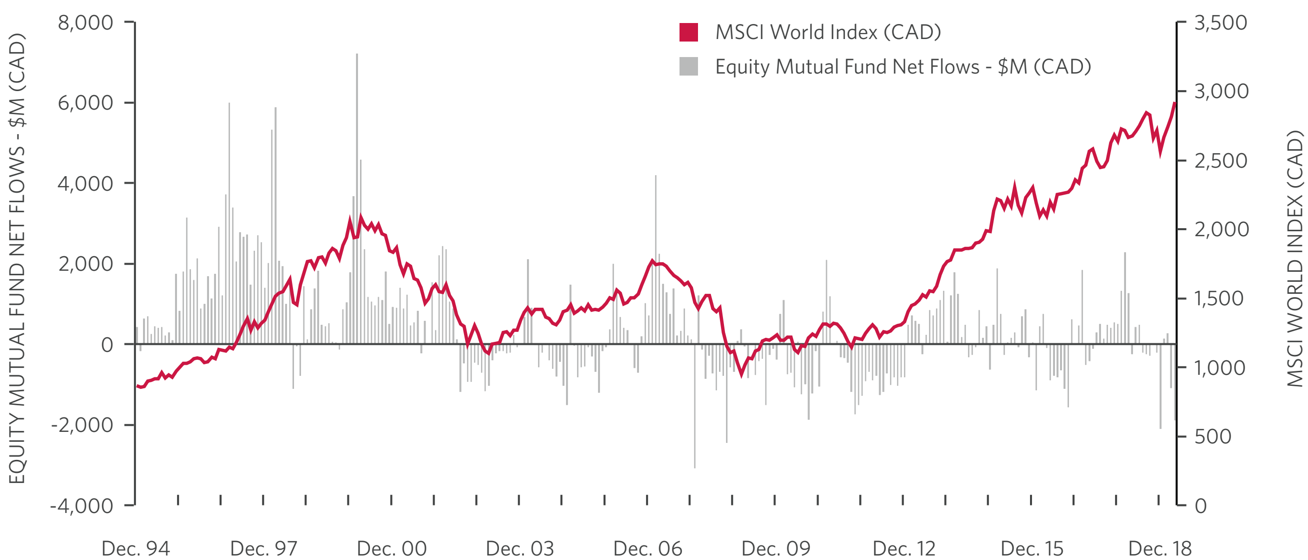
In the second half of 2008, the largest equity outflows happened just before the market reached a low in March 2009. This caused a trend for investors to "sell low."

Stay the course

Market fluctuations are a normal part of investing. You can see in the graph below that investments don't perform in a straight line—they will have periods of gains and losses.

Historically, markets tend to rebound from short-term losses, offering gains from rallies when they recover and move higher. By staying fully invested, you can take advantage of all periods of positive market performance.

Resist impulses to "buy high" and "sell low"



Source: MSCI World Index Price Level in CAD dollars: CAM Performance (Bloomberg); Equity Fund Net Flows: CIBC, December 2018.

Remember, bulls often follow bears

Keep emotions in check by remembering that bear markets and corrections are normal, happening about every two years since 1942. Think of these periods as good times to buy into the market.

During market downturns, you can increase the number of your investment units at lower prices. You can also benefit from potential gains during market upswings.

The chart below shows several significant events that caused major market dips over the last 20 years. Despite volatility, most markets rebounded within a year, showing the importance of staying invested.

Crisis events, market declines and subsequent performance

Event	Reaction dates	S&P/TSX Composite Index % Gain/Loss	S&P/TSX Composite Index % Gain/Loss 3 mths later	S&P/TSX Composite Index % Gain/Loss 1 year later	S&P 500 Index % Gain/Loss	S&P 500 Index % Gain/Loss 3 mths later	S&P 500 Index % Gain/Loss 1 year later	MSCI World Index % Gain/Loss	MSCI World Index % Gain/Loss 3 mths later	MSCI World Index % Gain/Loss 1 year later
Asian flu	1998-04-22 to 1998-10-05	-31.2	28.1	33.7	-11.9	29.2	35.8	-11.7	19.1	29.2
9/11	2001-09-10 to 2001-09-21	-11.5	16.1	-3.2	-11.0	19.0	-11.1	-12.3	18.4	-11.1
Lehman Brothers collapse	2008-09-29 to 2008-10-10	-25.2	1.3	30.7	-25.8	-0.2	22.3	-25.0	1.8	23.8
Bloody Friday	2008-10-21 to 2008-10-27	-16.7	5.6	31.2	-13.8	3.8	26.1	-14.1	4.7	28.6
DOW Jones falls to lowest level since 1997	2008-11-19 to 2008-11-20	-12.5	3.9	55.0	-12.4	3.2	48.7	-10.0	0.6	41.7
2015-2016 Stock Market Sell-Off	2015-08-18 to 2016-02-24	-9.1	11.2	25.4	-7.1	8.9	25.2	-11.1	9.0	24.4
December 2018 Market Sell-Off	2018-12-03 to 2018-12-24	-9.2	17.6	n/a	-14.7	19.7	n/a	-11.7	16.2	n/a

Source: Morningstar Research Inc., December 2018.

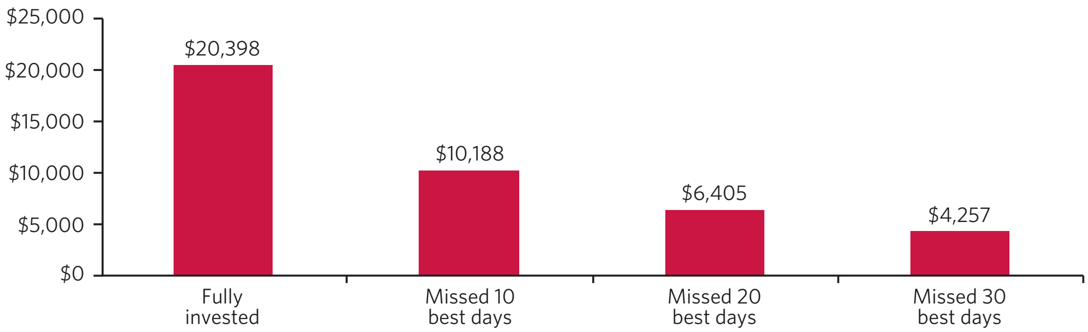
Time-tested strategy 2

Invest for the long term

Staying fully invested in the markets over the long term can help you reach financial success.

The graph below shows how $10,000 would have grown if fully invested for 20 years, and how much it would have diminished if it missed the best days in the market.

Growth of $10,000 in the S&P 500 Index, 20 years ending December 31, 2018



Source: Morningstar Direct, December 2018.

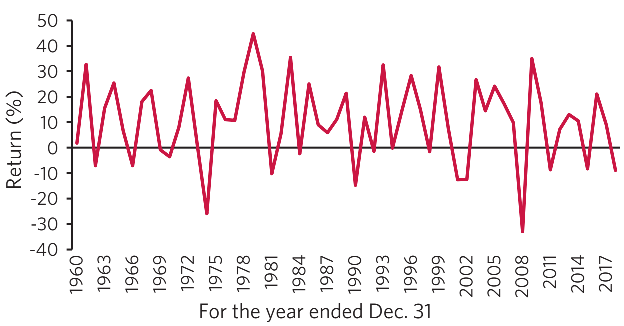
Volatility decreases over longer periods of time

As an asset class, you can expect that equities will sometimes experience short-term fluctuations. However, equities can provide great growth opportunities over the long term.

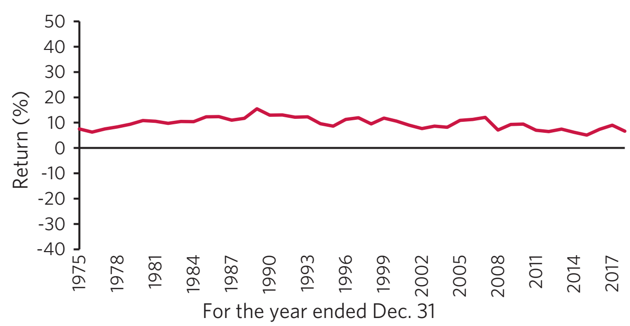
One-year returns for the S&P / TSX have varied widely over the past 60 years from a high of 44.8% to a low of -33.0%. But when annual returns are averaged over 15-year periods (for the 15 years ending 1975, the 15 years ending 1976, etc.), the index performance is remarkably steady (and relatively strong compared with other asset classes), varying only between 5.1% and 15.5%.

When you're investing for the long haul, it's your long-term returns that really matter. Try not to get caught up on your 1- or 2-year returns.

S&P / TSX Composite Index TR: One-year total returns (1960 — 2018)



S&P / TSX Composite Index TR: Rolling 15-year total returns (1975 — 2018)



The graphs show one- and 15-year returns on an annualized basis for Canadian equities (S&P / TSX Composite Index TR).
Source: Bloomberg, December 2018.

Time-tested strategy 3

Diversify and consider asset allocation

The saying "don't put all your eggs in one basket" is appropriate when thinking about investing. By diversifying your investments, you benefit from periods when different asset classes are performing better than others.

Also, by choosing the right asset mix for your portfolio, you can make sure your investments meet your risk tolerance, goals and investment timelines.

Diversify, diversify, diversify

Historically, asset classes have performed differently from year to year. For example, the chart below shows that emerging market investments (represented in white by the MSCI Emerging Markets Index) underperformed in 2011 and 2013 but were top performers in 2009, 2012 and 2017.

Diversifying across asset classes frees you from trying to invest in the right asset class, at the right time.

Ranking major market historical performance
Annual returns for selected asset classes (2009–2018 CDN$)

Rank	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1	BMO Small Cap Weighted 75.1%	BMO Small Cap Weighted 38.5%	FTSE Canada Universe Bond 9.7%	MSCI Europe 16.4%	S&P 500 41.3%	S&P 500 23.9%	Nikkei 225 30.5%	BMO Small Cap Weighted 35.4%	MSCI Emerging Markets 28.7%	S&P 500 4.2%
2	MSCI Emerging Markets 52.0%	S&P/TSX 17.6%	S&P 500 4.6%	MSCI Emerging Markets 16.0%	Nikkei 225 37.6%	MSCI World 15.0%	S&P 500 21.6%	S&P/TSX 21.1%	MSCI AC Asia Pacific 23.4%	FTSE Canada Universe Bond 1.4%
3	S&P/TSX 35.1%	MSCI Emerging Markets 13.0%	MSCI World (2.7%)	MSCI EAFE 15.3%	MSCI World 35.9%	S&P/TSX 10.6%	MSCI World 19.5%	S&P 500 8.1%	MSCI Europe 17.9%	MSCI World 0.1%
4	MSCI AC Asia Pacific 17.1%	MSCI AC Asia Pacific 11.1%	MSCI Europe (8.3%)	MSCI AC Asia Pacific 14.5%	MSCI Europe 34.4%	MSCI AC Asia Pacific 9.3%	MSCI EAFE 19.5%	MSCI Emerging Markets 7.7%	MSCI EAFE 17.4%	Nikkei 225 (3.7%)
5	MSCI Europe 16.2%	S&P 500 9.1%	S&P/TSX (8.7%)	MSCI World 14.0%	MSCI EAFE 31.6%	FTSE Canada Universe Bond 8.8%	MSCI AC Asia Pacific 17.9%	MSCI World 4.4%	Nikkei 225 15.2%	MSCI AC Asia Pacific (5.4%)
6	MSCI EAFE 12.5%	FTSE Canada Universe Bond 6.7%	MSCI EAFE (9.6%)	S&P 500 13.4%	MSCI AC Asia Pacific 19.7%	MSCI Emerging Markets 7.0%	MSCI Europe 17.1%	FTSE Canada Universe Bond 1.7%	MSCI World 15.0%	MSCI EAFE (5.5%)
7	MSCI World 11.1%	MSCI World 6.5%	Nikkei 225 (10.9%)	S&P/TSX 7.2%	S&P/TSX 13.0%	MSCI EAFE 4.1%	FTSE Canada Universe Bond 3.5%	MSCI AC Asia Pacific 1.6%	S&P 500 13.8%	MSCI Emerging Markets (6.5%)
8	S&P 500 7.4%	Nikkei 225 4.0%	MSCI AC Asia Pacific (12.8%)	Nikkei 225 7.0%	BMO Small Cap Weighted 7.8%	MSCI Europe 2.8%	MSCI Emerging Markets 2.4%	MSCI EAFE (2.0%)	S&P/TSX 9.1%	MSCI Europe (6.6%)
9	FTSE Canada Universe Bond 5.4%	MSCI EAFE 2.6%	BMO Small Cap Weighted (14.4%)	FTSE Canada Universe Bond 3.6%	MSCI Emerging Markets 4.3%	Nikkei 225 2.3%	S&P/TSX (8.3%)	Nikkei 225 (2.1%)	BMO Small Cap Weighted 6.4%	S&P/TSX (8.9%)
10	Nikkei 225 0.7%	MSCI Europe (1.0%)	MSCI Emerging Markets (16.2%)	BMO Small Cap Weighted 2.5%	FTSE Canada Universe Bond (1.2%)	BMO Small Cap Weighted (0.1%)	BMO Small Cap Weighted (13.8%)	MSCI Europe (3.2%)%	FTSE Canada Universe Bond 2.5%	BMO Small Cap Weighted (18.2%)

Source: S&P 500 Index, Nikkei 225 Index, and all MSCI indices: Zephyr Style Advisor. BMO Small Cap (Weighted): Bank of Montreal. FTSE Canada Universe Bond: FTSE Global Debt Capital Markets, December 2018.

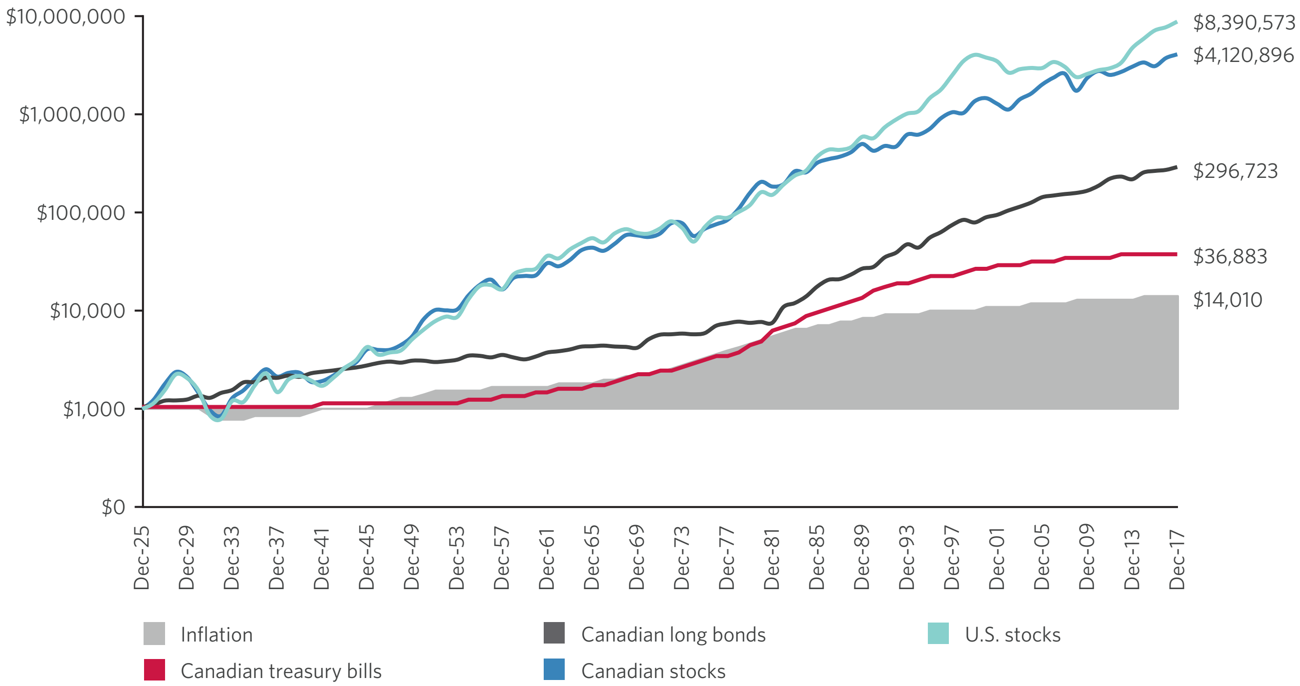
Offset inflation

Inflation is the impact of rising prices, which cuts into people's buying power. If inflation catches up with your investments, it can significantly impact your long-term life goals.

The chart below shows how different asset classes from 1925 to 2017 have outpaced inflation. If you had stayed invested, particularly in equities, your assets would have grown, helping you to offset inflation. You can also see how inflation impacted the long-term growth of non-equity assets, such as GICs and bonds, and risk-free investments, like T-bills.

Ensuring an asset mix that protects against the effects of inflation is an important consideration for long-term investing success.

Growth of different asset classes vs. inflation



Source: Bloomberg, Statistics Canada, December 2017.

Benefit from our expertise

At any stage of your life, a well-constructed financial plan can help you enjoy today while also preparing for tomorrow.

Your CIBC advisor has the experience, expertise and tools to help you keep emotions in check, stick to your plans and stay focused on your long-term goals.

Contact your advisor to talk about how these time-tested strategies can help your financial plan get you to where you want to be.

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