Me and the S&P 500 Index

intermountainwealthmanagement.com/post/me-and-the-s-p-500-index

March 22, 2023

00:00 01:38

download
Download Article PDF

The Importance of Aligning Investment Strategies with Personal Goals and Risk Tolerance

A widowed client in her early 70’s came in my office a few years ago and shared with me a conversation she had with her niece about the S&P 500 Index. Her niece had all her money invested in the S&P 500 Index and was beaming about her returns for the year. After the widow shared this conversation with me, she asked why her account had not experienced the same high returns as her niece's account. This presented another opportunity to review and discuss with my client her goals and objectives and remind her of her own risk tolerance.

With the growth of index funds, coupled with the SEC requirement to have all mutual funds compare themselves to a benchmark or index, and the daily media talk about the S&P 500 Index, people are focusing on benchmarks and indices instead of focusing on their own needs and objectives.

In this situation, the niece was in her late 20's and had a lot of investing years ahead of her. Time was her friend. The niece was also working and earning income. She could afford to take more risk. My client was retired and on a fixed income. Time was no longer her friend for investing. If she were to lose 20-30% in the S&P 500 Index, she would not have the time to recover from her losses or the ability to earn income to replace the losses.

Chris Carosa, Chief Contributing Editor for Fiduciary News said it best, "Our lifetime goals can't be measured in bank accounts or stock portfolios. They are instead measured by family, friends and those little (and not so little) accomplishments we leave behind us. No one wants his gravestone to read "Here Lies Me – I Beat the S&P 500." *****