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Think long term, invest long term

Product advertisements, daily media, magazines and books, chat rooms – and don't overlook the neighbour or co-worker with the hot tip. As an investor, you may be influenced by all of these sources on a regular basis. The result? You may find yourself questioning your long-term financial plans and second-guessing your decisions regularly. Below are some ideas to help you maintain focus on your long-term financial plans.

Focus only on information relevant to you

Print and broadcast media, friends and family, the Internet – if you receive just one piece of information a week from each of these sources, you have something to read, mull over and make a decision about almost every day. That's too much information – and too much time spent thinking about your investments. Here are several things you can do to help stay focused on your long-term goals:

- Stop trying to keep on top of all the products. The fact is, there are too many. Stay informed about what you own and what may be an additional investment down the road
- Don't worry too much about the latest trends. You don't rush out and purchase every new household gadget or new electronics product that hits the market, and you shouldn't with investment products either
- Cut back on how frequently you check the value of your investments. When you're investing for the long term it doesn't matter how the markets perform on a daily basis. Reviewing your semi-annual and annual statements is usually sufficient
- Rely on your advisor to help you filter and understand the information that is relevant to you. Ask your advisor to keep you abreast of certain investments, trends or market developments

Keep the media in perspective

The status quo is not newsworthy – bad news and good news are. And don't be alarmed by headlines – remember, they're meant to catch your attention. The following headlines certainly are bleak:

- More time needed to clarify direction of stock market fluctuations (January 1974)
- Month's losses on TSE Composite Index are largest in 25 years (January 1982)
- Recession outlook bleak (December 1990)
- Job losses likely to deepen (January 2002)

Source: The Globe and Mail

These all sound recent; however, they span the last 25 years. If you were to look at several market ups and downs through the years, you'd see similar headlines occurring. It's all part of the cycles that the markets move through. When an article or broadcast segment catches your interest, take the time to do further research, or discuss the issues with your advisor.

Remember that investment styles never really go out of fashion

Skim the headlines for any given period and you may be left thinking that investing has a lot in common with the fashion industry. Growth and value take their turns being "hot" or "not" while investors try to keep on top of whether cyclical and defensive stocks are "in" or "out." Unlike fashion, investing is not so black and white.

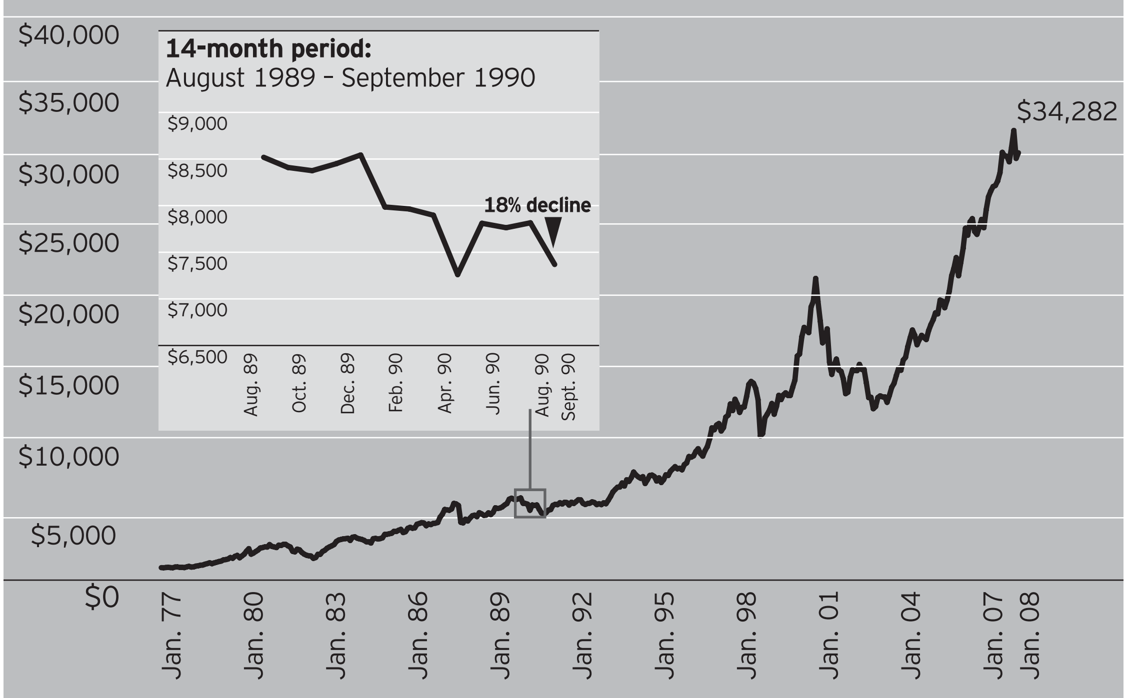
Historically, growth and value stocks have offered complementary performances. When markets and investor confidence are up, growth stocks thrive. However, companies can only grow so much before their prices become inflated. When this happens, the market eventually corrects itself. When earnings and the overall economy slow, value stocks tend to outperform both the market and growth investments. The key is to hold your investments for the long term. Investors who try to time the markets often find they earn lower returns than those who have maintained a diversified portfolio. It's important to make educated decisions and trust the choices you and your advisor make together.

Consider your timeframe

The age-old expression, "It's time in the market, not timing the market, that counts," still holds true. Seeing beyond the day-to-day market fluctuations is the best way to reach your financial goals over the long term. When investing for the long term, what happened in the markets today may mean little 15, 10, or even five years down the road. To be successful in the long term, you must think long term — it's as simple as that.

The following graph shows the historical performance of a $1,000 hypothetical investment in the S&P/TSX Composite Index. Over 31 years, it grew to a value of $34,282.35 — that's an annual average compounded return of 12.08%. Over the years, the Index fluctuated in value. For example, in the 14-month period from August 1989 to September 1990 (illustrated below), the Index declined in value by over $1,500 — or 18%.[1] Nervous investors may have been tempted to sell their investment at this point, which would have resulted in their losing out on the Index's impressive long-term results. By focusing on a longer time frame, it's apparent that periods of decline are usually short-lived and not significant over the long term.

S&P/TSX Composite Index



Source: Bloomberg

[1] Note that an investment cannot be made directly in an index.

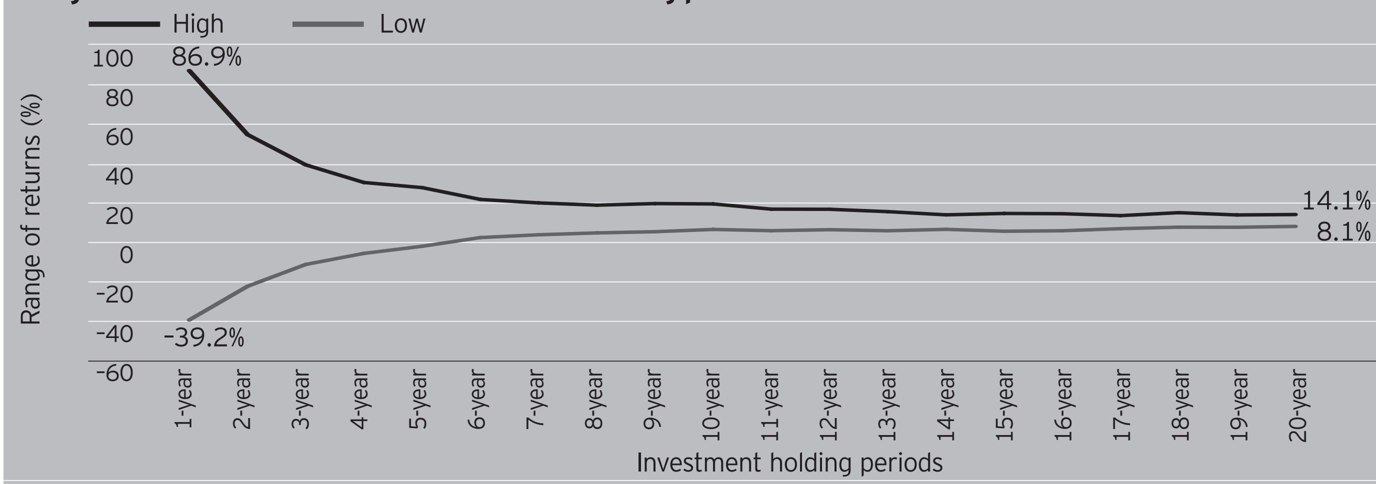
A long-term approach can minimize risk

Risk can be defined as the variability, or range of returns, that an investor may realize from an investment. Range is simply the highest value minus the lowest value. The example below shows the historical returns of the S&P/TSX Composite Index for various investment holding periods spanning 30 years from January 1, 1978 to December 31, 2007. During this time, the greatest one-year return was just under 87%, while the largest one-year loss was nearly 40%. Based on this historical performance, an investor with a time horizon of only one year is at risk that his or her potential return may fall anywhere between negative 40% and positive 87%, a range of 127%.

However, historically the range of returns decreased significantly as the holding period of the investment increased. As illustrated in the graph, the greatest five-year annualized return was nearly 28%, while the poorest annualized return over five years was nearly -2%. Over a holding period of five years, the range of returns fell from 127% to 30%. Looking at an investment period of 20 years, the range becomes smaller still – between just 14% and 8%, for a range of 6%. The graph below illustrates that holding your investments for the long term can minimize the risk inherent in investing in equity securities.

Seeing beyond the day-to-day fluctuations in the markets is the best way to reach your financial goals over the long term. Talk to your advisor to ensure your investment portfolio is meeting your long-term objectives.

Range of returns over different investment holding periods[1]



Source : Bloomberg

[1] S&P/TSX Composite Index 1978 - 2007

For more information about this topic, contact your advisor, call us at 1.800.874.6275 or visit our website at www.invescotrimark.com.

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The S&P/TSX Composite Index is a broad-based, market-capitalization-weighted index of the largest, most widely held stocks traded on the Toronto Stock Exchange.

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