TD Asset Management

Investor Knowledge 10 Minutes

KNOWLEDGE

Stay the course to help get ahead faster

Investors occasionally let their emotions guide their investment decisions, which may lead them to buy or sell at inopportune times. Emotionally-driven decisions can have a significant impact on your portfolio.

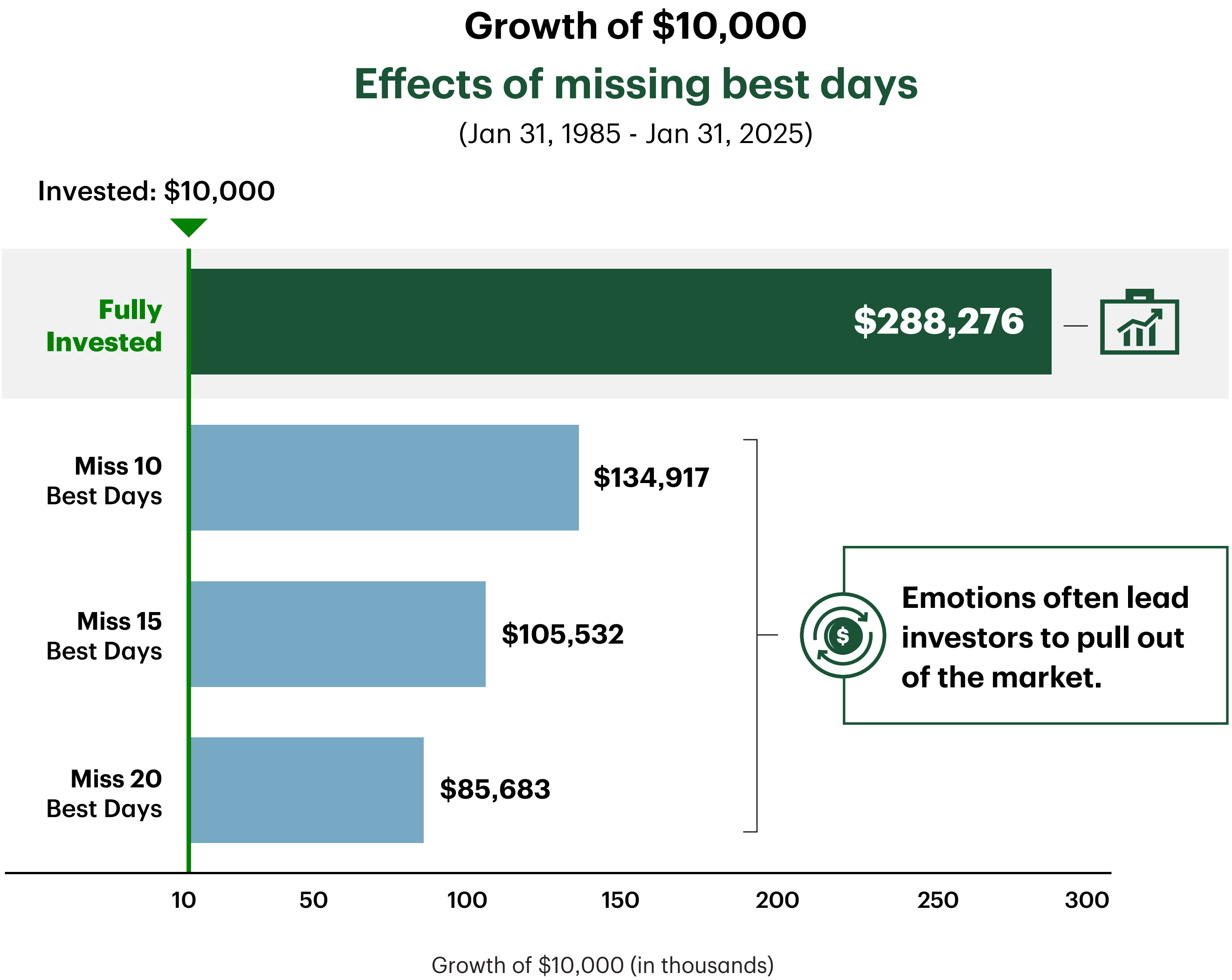
Euphoria leads investors to buy at market peaks

For illustrative purposes only.

Invested

Staying invested matters

From 1986 onward, investors who stayed invested earned significantly more than those who missed just the top 20, 15, or even 10 best days. Many of those top days occurred during periods of heightened volatility, when emotions often lead investors to pull out of the market.



Source: TD Asset Management Inc., FactSet Research Systems. Overall market performance is represented by S&P/TSX Composite Total Return Index (CAD) performance from January 31, 1985 to January 31, 2025.

For illustrative purposes only.

Diligence

The power of regular contributions

As with many things in life - like staying active or continuing to learn - the more you put in, the more you're likely to get out. The same holds true for investing: consistent contributions can add up over time, helping investors build wealth and achieve their long-term financial goals sooner.

But what happens when markets dip? Can regular contributions still help you stay on track to achieving your financial goals? To help answer that question, let's look at a few common scenarios that some investors may have followed when markets fell during the Global Financial Crisis of 2008.

CASE STUDY CASE STUDY

Contribution scenarios: Jane is an investor who diligently **contributes $100 per month** to her investment account for several years. When markets fell in 2008, there were several options available to her regarding how she could choose to respond to the events. The figure below illustrates four common investor responses.

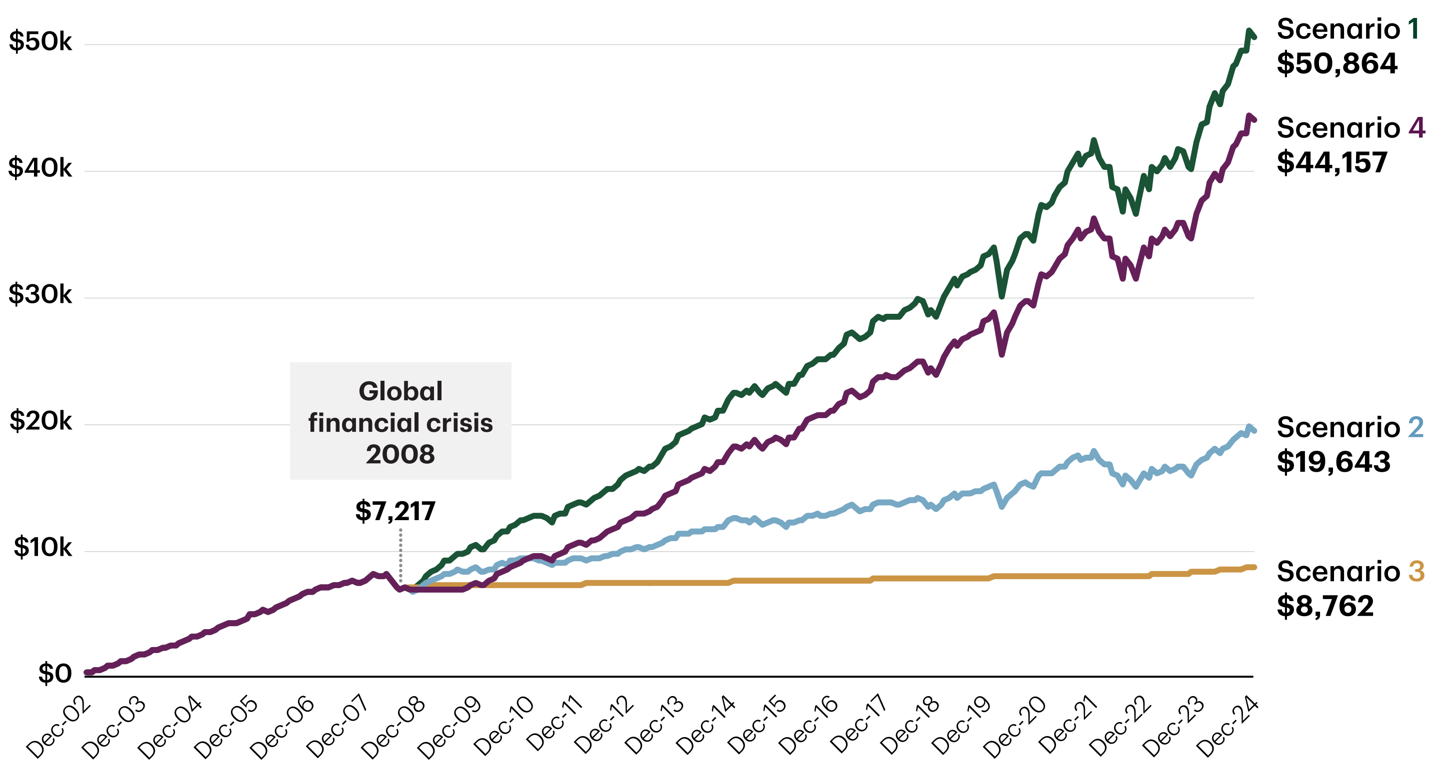
1 | **Scenario 1:** Jane decides to trust her investing strategy and **continues contributing $100 per month.**

2 | **Scenario 2:** Jane decides to **stop contributing in 2009** out of fear that she might incur significant losses.

3 | **Scenario 3:** Jane decides to stop contributing in 2009, then pulls all of her funds out and moves the entire balance into a **1-year renewable Guaranteed Investment Certificate (GIC)**.

4 | **Scenario 4:** Jane decides to stop contributing in 2009 and **pulls all of her funds out for one year**, then re-enters the market the following year and **resumes her $100/month contributions.**

The power of a plan



For illustrative purposes only. Note: Returns for periods greater than one year are annualized. Returns are illustrated using the Morningstar Global Neutral Balanced Benchmark. Source: Morningstar®. Annualized returns to December 31, 2024.

Summary of contribution scenarios

1. By sticking to the $100/month contribution strategy (**Scenario 1**), Jane continued to add to the investments in her portfolio at a lower price when markets were down, a strategy called **dollar-cost averaging**. And when markets recovered, Jane simply had more units of her investments that could benefit from higher returns, a process referred to as **compounding**.

2. **Scenario 2** also illustrates the power of compounding – Jane's investment didn't grow as high as Scenario 1 and 4, but by leaving her investments in her account without redeeming them, she earned growth on her initial contribution as well as growth on the returns that accumulated over time.

3. **Scenario 3** shows how GICs did not achieve the same growth results as scenarios 1, 2 and 4. If Jane was investing for a financial goal like retirement, the less than $1,000 accumulated after 13 years could mean more time added to her working years or a shift in the type of retirement she wants to have.

4. **Scenario 4** shows how even a temporary pause in regular contributions can potentially set an investor back – in this case, Jane only missed contributing around $1,000 but ended up with $6,000 less than Scenario 1, highlighting the risks associated with trying to "time the highs and lows of the market."

Benefits of regular contributions

Regular contributions to your investments can also help you stay focused and avoid emotional investing impulses, like trying to time the market with a lump sum rather than making regular contributions. A **Pre-Authorized Payment Plan (PPP)** can help take the guesswork out of investing and allow you to put your money to work right away.

Compounding

Strategy

Let's talk

For more information, please contact your investment professional.

Connect with TD Asset Management

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