

## Our 2016 Prediction: Market Predictions Will Err

Written by Brian Puckett, CFP®, CPA/PFS, Attorney at Law  
Tuesday, 19 January 2016 13:54

---

The beginning of a new year wouldn't be complete without a chorus of financial experts making predictions about the stock market.

But unless 2016 is very different from years past, the experts will be terribly wrong. The record shows that even the brightest minds on Wall Street get their predictions wrong most of the time.

Consider the research of Motley Fool columnist Morgan Housel. Housel studied forecasts that 22 of Wall Street's top strategists made for the Standard & Poor's 500 index from 2000 to 2014. He found that their predictions differed from the S&P's actual performance by an average of about 15 percentage points annually.

And yet, the supposed experts make their predictions every year, and the financial media trumpets them. If the forecasters are wrong, they're generally forgiven—who can predict the future, after all! When they're right, they're celebrated as geniuses and held up as proof that the market can indeed be outsmarted. Or, if they're really lucky, they'll become characters in Hollywood movies (think *The Big Short* in theaters now).

The point should be clear: Making investing choices based on year-ahead predictions—or short-term predictions of any kind—is no better than gambling with your future.

Rather than invest on the shifting sand of market predictions, wise investors follow the path that has been proven to be effective: Create a globally diversified investment portfolio customized to your goals, risk tolerance and time horizon, re-balance periodically, and remain disciplined and patient while the market does its work.

For more insight into our investing philosophy, we invite you to read our archived [blog articles](#) from August of 2014 through October of 2015. For a brief overview, see [this article](#)

## Our 2016 Prediction: Market Predictions Will Err

Written by Brian Puckett, CFP®, CPA/PFS, Attorney at Law  
Tuesday, 19 January 2016 13:54

---

Many investors continually pick new stocks in an effort to outperform the market. But numerous academic studies have shown that even professional stock pickers can almost never beat the market. A [2006 study](#), for example, tracked 2,076 actively managed U.S. stock mutual funds over a 30-year period. The finding: After fees, just 0.6% of managers showed any real skill at consistently beating the market.

The good news is that with a stable, diversified, long-term portfolio, you don't need to continually make the right decisions in order to succeed. Your exposure to the market grows your money over time (and yes, there will be some ups and downs along the way) while diversification mitigates your risk.

Instead of heeding ever-changing market commentary, use the beginning of the year to create a financial plan and develop a sound investment strategy. Don't hesitate to contact us if you'd like to learn more using our disciplined, efficient, low-cost investing approach to achieve your long-term goals.