A Transformed Investor's Reaction to Coronavirus

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The news is full of stories about the coronavirus. It's scary. My 10-year-old son came home from school today worried about it. We don't know how many people this will infect, nor how it will impact the world economy. This is exactly the kind of thing that would have freaked me out 20 years ago, spiked my blood pressure, and made me glad that all my money was in cash.

Back then, I would have seen this story as yet another piece of evidence for why I chose not to invest in stocks. Because I couldn't predict the future. "Why invest when you don't know what is going to happen tomorrow?" I would ask no one in particular.

One of the great gifts in my life has been learning that I can still invest without needing to know what is going to happen tomorrow, because I'm a long-term investor.

It's been 20 years since Y2K, 12 years since the financial crisis, 10 years since H1N1, and six years since the Ebola outbreak. Any money I might have invested right before Y2K (which hit on the heels of the Asian financial crisis of 1997) and left through all those ups and downs would have turned out fine—as long as I was widely diversified, with low costs.[1]

I don't plan on touching the money I have in the market for 20 years. So when it's 2040 and I look back at the coronavirus story of 2020, what will I think? Honestly, I don't know. I gave up trying to predict the future a long time ago. But based on nearly 100 years of market data, I am choosing to be a long-term investor. I believe that the reason I get a good return over decades and not months is because markets are uncertain. If they weren't, we'd call them a savings account. For me, riding out these ups and downs is not only one of the best ways to build a portfolio, it's the most stress-free way of living.

I might be wrong, but decades of financial science suggest it's a sensible course, and that's good enough for me.

1. This statement assumes an investment in a broadly diversified all-equity portfolio and maintained over the specified period. Other time periods and different investments may have different results, including losses. A hypothetical dollar invested on December 1, 1999, and tracking the MSCI All Country World Index (net dividends), would have grown to $2.38 on February 29, 2020. However, performance of a hypothetical investment does not reflect transaction costs, taxes or returns that any investor actually attained and may not reflect the true costs, including management fees of an actual portfolio. Changes in any assumption may have a material impact on the hypothetical returns presented. It is not possible to invest directly in an index. MSCI index data © MSCI 2020.

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Investments involve risks. The investment return and principal value of an investment may fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original value. Past performance is not a guarantee of future results. There is no guarantee strategies will be successful.

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