Market Returns: Positive vs. Negative Years

Consider the Long-Term View

VRS Defined Contribution Plans

Virginia Retirement System

The U.S. stock market, based on the S&P 500*, has historically experienced more positive years than negative years, but investors should weigh the potential returns and risks.

The chart below shows different ranges of calendar year returns for the S&P 500 Index — which consists of 500 stocks of generally large U.S. based companies.

For the 89 years ended December 31, 2014, the S&P 500 Index posted positive calendar year returns 73% of the time and negative calendar year returns 27% of the time, with an average calendar year return of 21.47% over the positive years and -14.29% over the negative years.

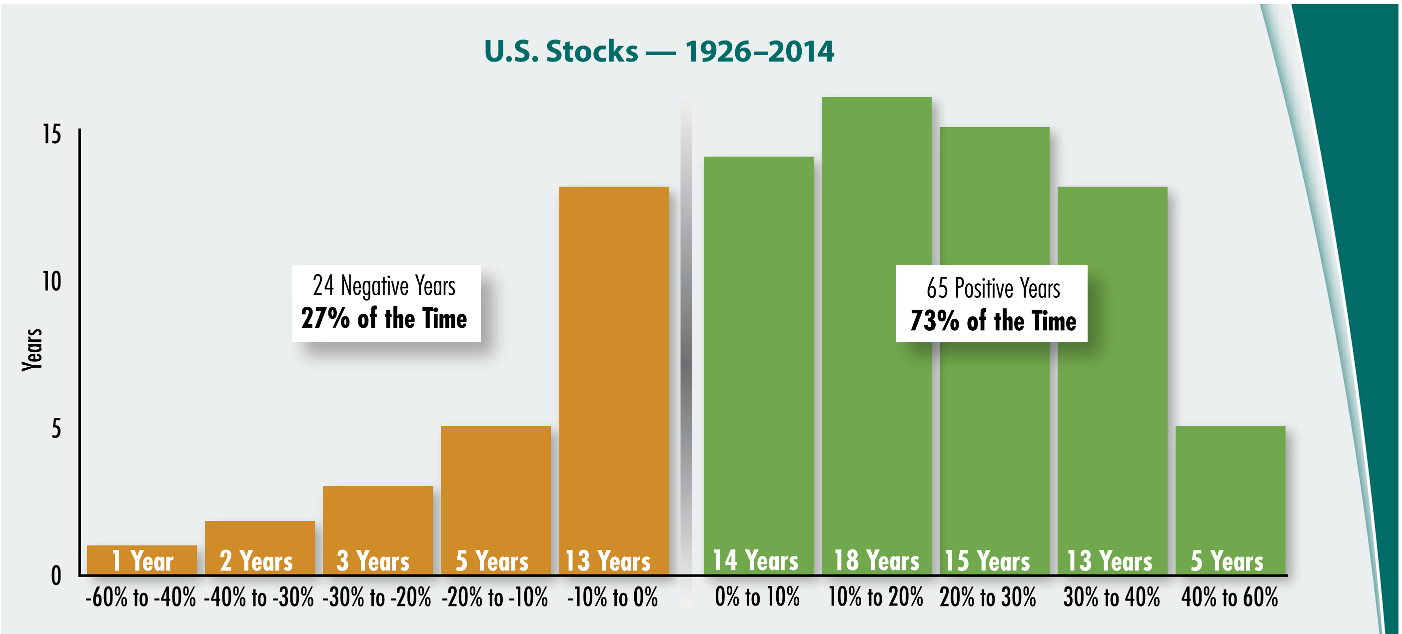
Think long term, diversification, and balance.

Whenever short-term market swings are in the news, take a step back. Stocks can be quite volatile and may experience significant losses but they also play an important role in your portfolio for the longer-term.

Diversify your stock portfolio by owning smaller and international companies as well as larger U.S. ones. Pair stock funds with lower-risk bond and stable value funds that may experience positive returns during rough stock market stretches. While such diversification cannot ensure against losses, it can reduce overall volatility and help avoid the extremely difficult challenge of trying to time the direction of the markets.

To learn more about market risk and return and how it impacts your investing portfolio, contact your ICMA-RC Defined Contribution Plans Retirement Specialist.

*The S&P 500 is commonly considered to be a better representation of the U.S. stock market than some other indexes because it contains a large number of companies — for example, the Dow Jones Industrial Average only contains 30 companies.



Source: Ibbotson Associates
Past performance does not guarantee future returns. It is not possible to invest in an actual index.

Note: Content sourced by ICMA-RC for use with VRS plans.

AC: 21814-201503