Ruminations on Looking at Your Portfolio

Most people, when they look at their portfolios, are happy when the value has increased and unhappy when it has decreased. The magnitude of the change seems less important to how they feel about it.

Therefore, to maximize happiness, most people should probably look at their portfolios less often. Here's why:

Over the five years from 2003 to 2007, the market (S&P 500 including dividends) had an average annual return of 12.8%, a great period in the market. But, if you were watching your portfolio frequently, you wouldn't have been happy as often as you might expect. If you looked at your portfolio every day, you would have been happy just 55.6% of the time (it was up), you would have been unhappy the other 44.4% of the time (it was down).

If you looked at your portfolio every 5 business days, you would have been happy slightly more often – 57.36% of the time. If you looked at your portfolio at the end of each month when you got your statements, you would have been happy 71.7% of the time.

And, if you were able to hold out and only look at your portfolio once a year, there was no 12-month period over that time horizon (which admittedly isn't typical) in which your portfolio would have decreased in value. You would have been happy 100% of the time.

You obviously want to be well informed, but looking at your portfolio too often can make you less happy.

Notes:

The analysis in this report has been prepared by David E. Hultstrom, MBA, CFP©, CFA©.

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