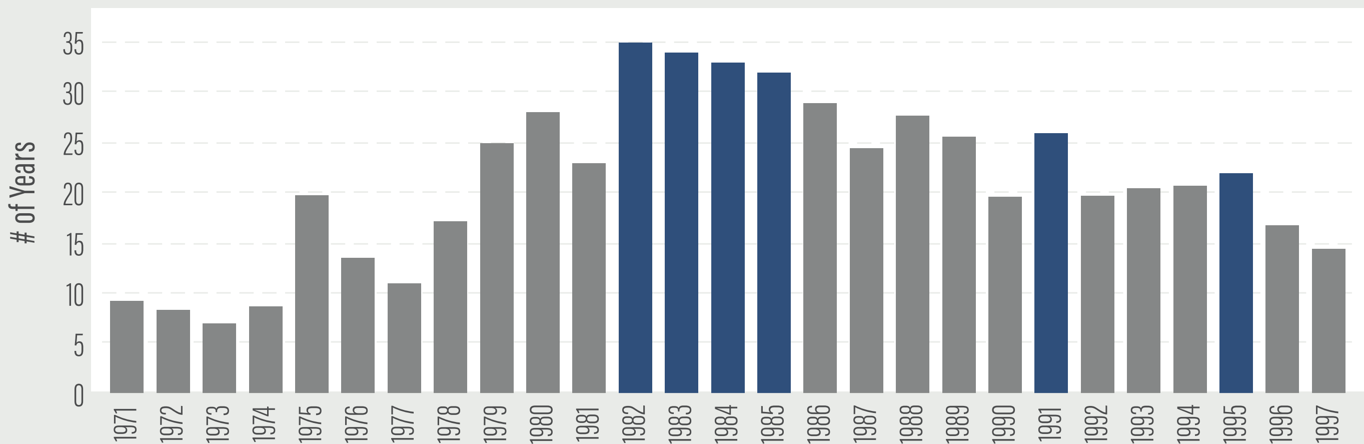
The Lessons of Timing

Imagine a simple scenario. You have $1 million 100% invested in the S&P 500 Index. You retire and start to withdraw $100,000 annually, increasing that amount in line with inflation, while the rest of your money stays invested in the S&P.

How long does your $1 million last? As with many financial questions the answer is "it depends." In this case it depends on when you start withdrawing assets.

The chart below illustrates how long the money lasts based on 27 different start dates, ranging from January 1, 1971, to January 1, 1997.[1] So, if you start withdrawing $100,000 on January 1, 1971, the original $1 million investment will last just under 10 years.

How Long Does the Money Last?



Note that data in blue indicates that there is still money left as of 1/1/17. This is a hypothetical example shown for illustrative purposes only. It does not represent the performance of any specific investment product.

The data shows the incredible variation in long-term results simply based on timing. Consider that:

7 YEARS[2]

- In the worst-case scenario the $1 million lasts a mere 7 years.

35+ YEARS[3]

- In the best-case scenario the $1 million lasts 35+ years and there is still more than $4 million left over today.

17 YEARS

- Average amount of time the $1 million lasted in this 27 year time frame.

[1]For each start date the scenario is the same: $1 million invested in the S&P 500 Index on January 1, a $100,000 initial annual withdrawal which increases with inflation, the balance remains invested in the S&P 500. Monthly inflation and total return data for the S&P 500 are utilized. Tax consequences are not reflected in this example. The date range starts on January 1, 1971 because that is the earliest date that monthly data is available.
[2]For the scenario with a start date of 1/1/1973.
[3]For the scenario with a start date of 1/1/1982. As indicated there would be assets remaining as of 1/1/2017.

What does this mean for investors?

While this specific scenario—$1 million completely invested in equities, a 10% annual withdrawal rate—is not representative of how many approach investing, the **range of outcomes reinforces how volatility can potentially impact you over the long term.** Timing, the sequencing of returns, inflation and other factors can dramatically alter best-laid plans.

The lessons of this hypothetical underline the need for better and ongoing education, especially since only 9% of investors can correctly identify basic risk measures.[5] **Only when there is a combination of a thoughtful approach, awareness of how imprecise those approaches can be, and the ability to adapt in the face of unexpected results will there likely be long-term success.**

The impact of volatility is real

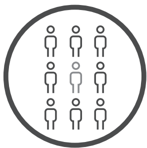
12 YEARS

- From one year to the next the length of time the initial money lasts fluctuates by up to 12 years.[4]

9%

- Only 9% of investors can correctly identify basic risk measures.[5]

About AMG Funds



AMG Funds provides access to premier asset managers through a **unique partnership** where the investment managers are truly independent.

AMG Funds is not beholden to a single investment approach or a single manager in delivering quality investment solutions. This **innovative approach** leverages each manager's specific expertise to deliver products that cover the complete asset class spectrum.

Delivering the talents of all of these portfolio managers under a consolidated platform allows AMG Funds to offer **unmatched access** to specialized investment expertise.

[4] Difference between the outcomes for the scenarios starting on 1/1/1981 and 1/1/1982.
[5] AMG Wealth Management Survey, 2016.

The S&P 500 Index is a capitalization-weighted index of 500 stocks. The S&P 500 Index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.
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