



# Why Beating the S&P 500 is the Wrong Goal

## *How you perform against one index bears little on your financial well-being*

Study after study has shown that beating the S&P 500 over the long-term is nearly impossible. Yet, nearly every time I meet with a new investor, they ask the question, "How have you done against the market (S&P 500)?"

My reply is generally something along the lines of "is that what you're looking for?" and their answer is either a look of confusion or a resounding "yes."

However, in further conversation, investors come to understand that this is the wrong question. It inevitably will lead them down a path of failed expectations and missed goals.

Beating the S&P 500 sounds great, but it does little to help investors gain peace of mind. Moreover, it may also be impractical and require taking on risks that are unacceptable to you.

### **What are Your Goals?**

You don't have to look back far, 2008-09 is not that long ago. If your portfolio lost 35% in 2008 and gained 3% in 2011, you beat the S&P in both years. Fast forward to 2018 – if your portfolio lost 5%, you beat the S&P 500. So what?

None of those seem like attractive returns to me.

My point is simply that benchmarking your goals and expectations to the S&P 500 or any other one index is silly and impractical.

Instead of heedlessly chasing the S&P 500, investors should:

1. Take account of their goals.
2. Evaluate the costs associated with reaching those goals.
3. Task their investment adviser with developing a plan that is likely to achieve those goals with the least amount of risk possible.

### **Be Relevant**

Nowhere is relative benchmarking more prevalent and more irrelevant than in investing. How you perform against the S&P 500 bears little on your financial well-being.

If you are in retirement and have a properly structured portfolio, you probably underperformed the S&P 500 in 2021 and maybe have outperformed YTD so far in 2022. Big deal. The S&P 500 is not trying to accomplish with its money what you try to accomplish with yours.

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