

Trying to predict the market's next move is a losing game, even for professionals. Instead, a well-structured, diversified portfolio aligned with your goals remains one of the most reliable paths designed for long-term financial success.

WHY ASSET ALLOCATION MAY MATTER MORE THAN MARKET TIMING

June 02, 2026

Key Takeaways:

- Trying to time the market consistently is impossible, even for professional money managers with sophisticated tools and real-time data.
- Missing just a handful of the market's best trading days can significantly reduce long-term returns, and those days are nearly impossible to predict in advance.
- A well-structured asset allocation built around your goals, risk tolerance and time horizon is a more reliable path to help pursue long-term success than reacting to short-term market swings.
- Rebalancing your portfolio periodically helps keep your strategy on track and helps to counteract the emotional tendencies that can derail even the best-laid financial plans.

Overview

Every time markets get choppy, the temptation is the same: Do something. Move to cash. Wait it out. Get back in when things look less volatile. It feels logical, but decades of market history tell a different story.

Trying to time the market consistently is, for all practical purposes, impossible. Even professional money managers with teams of analysts, real-time data and sophisticated models fail at it more often than not. For individual investors, the odds are even longer. And the cost of being wrong at the wrong moment can set a financial plan back significantly.

Asset allocation — the way your portfolio is divided among stocks, bonds and other investment types — is a more reliable foundation. It doesn't promise you'll never feel the sting of a down market. What it does is give your investments a structure designed to match your goals, timeline and confidence with risk, designed so that short-term volatility doesn't derail long-term progress.



The Myth of Perfect Market Timing

The appeal of market timing is understandable. If you could sell before a downturn and buy back at the bottom, your returns would look great. The problem is that nobody rings a bell when the market reaches the top or bottom, so how will you know when it happens?

Markets often recover sharply and unexpectedly. A significant portion of annual stock market returns can occur in just a handful of trading days. Miss a few of those days because you moved to the sidelines waiting for the “right” moment, and your long-term returns can suffer meaningfully.

Consider this: A hypothetical investor who stayed fully invested in the S&P 500 over 20 years would have significantly outperformed an investor who missed only the 10 best trading days during that period.¹

Predicting which days those will be is the challenge. Fear, uncertainty and negative headlines tend to peak near market bottoms, exactly the moments when many investors feel most compelled to step back.

What Asset Allocation Actually Does

Asset allocation is built around a simple but powerful idea: different types of investments behave differently under the same market conditions. When one area of your portfolio declines, another may hold steady or even gain. That balance doesn't eliminate risk, but it does help reduce the likelihood that any single market event devastates your overall financial picture.

A well-constructed allocation considers your:

- **Time horizon:** How many years before you need to draw on the money
- **Risk tolerance:** How much volatility you can handle without making reactive decisions
- **Financial goals:** Retirement income, legacy planning, future major purchases or other priorities
- **Overall financial picture:** Including income, expenses, savings and any other assets

There is no one-size-fits-all allocation. Someone in their 20s who is just starting to save for retirement has a very different appropriate mix than someone in their late 60s drawing down their savings. The objective is to make sure your money is working in a way that fits your life the way it looks now and supports the life you want to live in the future.



The Behavioral Factor

Market timing is often a behavioral challenge. When markets fall, the emotional pull toward lower risk investments is powerful. And when markets rise, the fear of missing out can tempt investors to take on more risk than they're actually comfortable with.

Research in behavioral finance consistently shows that emotionally driven investment decisions tend to hurt returns over time. Investors buy high during periods of optimism and sell low during periods of fear, locking in losses and missing recoveries.²

A disciplined asset allocation strategy serves as a guardrail against these tendencies. When your portfolio is structured to reflect your actual risk tolerance and time horizon, there's less reaction to every headline. The plan was built with uncertainty in mind. Volatility, while never comfortable, is an expected part of the long-term investing experience, *not* a sign something has gone wrong.

Rebalancing Keeps Your Strategy on Track

Over time, markets naturally shift your allocation away from original targets. If stocks have a strong run, they might grow to represent a larger portion of your portfolio than intended, exposing you to more risk than you planned to take. If bonds hold up during a downturn while stocks fall, the opposite can happen.

Periodically adjusting your holdings back to their target weights is one of the most straightforward ways to help maintain the discipline your plan requires. This rebalancing may mean trimming assets that have grown and adding to those that have pulled back, which is the opposite of what emotional reactions typically drive investors to do.

How often you rebalance depends on your situation, preferences and how the market has performed. It should also be done with an eye on tax implications. Your financial advisor can help you find the right rebalancing cadence.



Final Thoughts

Markets will go through rough patches. Recessions and corrections happen. Geopolitical events, interest rate changes and unexpected economic data all create noise in the short run. None of that changes the underlying reality that long-term, disciplined investing has historically rewarded patient investors.

The investors who tend to come out ahead aren't the ones who made the cleverest calls at exactly the right moments. They're the ones who had a plan, stuck to it, made adjustments as their lives changed and avoided letting fear or excitement drive major financial decisions.

Asset allocation won't deliver the thrill of feeling like you called the market perfectly. What it offers is something more valuable: a rational, personalized structure designed to help grow and preserve your wealth over time, regardless of what the market does next.

Sources

¹ Hartford Funds. "Timing the Market is Impossible." <https://www.hartfordfunds.com/practice-management/client-conversations/managing-volatility/timing-the-market-is-impossible.html>. Accessed April 28, 2026.

² Jared Blikre and Sydnee Fried. Yahoo! Finance. March 4, 2025. "Investor psychology: How emotions & biases can impact finances." <https://finance.yahoo.com/video/investor-psychology-emotions-biases-impact-100042554.html>. Accessed April 29, 2026.

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