

Sherwood Investment Services
Financial Planning & Investment Management

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The Savvy Investor
Cash, Bonds or Stocks. What's Best?

A False Sense of Security

When the market is volatile, it's tempting to consider moving your investments into cash. However, you should consider how staying in cash could impact your long-term portfolio.

Staying in cash can give you a false sense of security. By waiting for a better time to invest, you may be missing out on some potentially rewarding investment opportunities. **Among the three major asset classes, stocks have been the best asset class many more times than cash over the 77 years.** (Table 1.)

Security vs. Opportunity

Cash can provide protection and liquidity during volatile markets. Yet as Table 2 show, cash has generated disappointing returns that were eroded by inflation.

Bottom Line

Over the long haul, stocks have been the clear winner when it comes to generating attractive long-term returns outpacing inflation. However, stocks have been more volatile than cash. **Please contact us for more information.**

Table 1
Best Asset Class (1926 – 2002)

Cash was Best	Bonds were Best	Stocks were Best
12 of 77 single calendar years	21 of 77 single calendar years	44 of 77 single calendar years
4 of 73 rolling 5-year periods	14 of 73 rolling 5-year periods	55 of 73 rolling 5-year periods
6 of 68 rolling 10-year periods	8 of 68 rolling 10-year periods	54 of 73 rolling 10-year periods

Table 2
Growth of \$1.00 Invested from 1926 through 2002

	Cash	Bonds	Stocks
Grew To:	\$17.50	\$82.50	\$1,775.34
Before Inflation Return	3.79%	5.90%	10.20%
After Inflation Return	0.71%	2.76%	6.94%