Have you ever asked yourself how much money you may need when you retire, or, better yet, how could you prolong your liquid assets after retirement? Of course you have! Whether someone is initiating their savings plan or they have already built up their retirement account, we will explain why someone should still be invested in the stock market over the long term, even in a post-retirement stage.

In the long run, stocks outperform all other investments. As Benjamin Graham stated in his book, The Intelligent Investor, “Investing isn’t about beating others at their game. It’s about controlling yourself at your own game.” Essentially, what he suggested is that the prudent investor is wise because he has the behavioral discipline to withstand the short-term “noise” of market volatility and maintain their focus on long-term growth.

Martin Capital Advisors, LLP, conducted a study reviewing data on returns of stocks, bonds, T-bills, and inflation from 1926 to 2017. The report showed the S&P 500 (Standard & Poor’s 500, the market-capitalization-weighted index of the 500 largest U.S. publicly traded companies) had a total return of 735,083.9%. Consequently, if an investor had placed $100,000 in the S&P 500 in 1926, that $100,000 today would be $735,183,900 as of December 31, 2017. Now, let’s look at how treasury bonds performed over the same time frame. The 20-year US Treasury bond achieved a cumulative return of 14,174.0%. If an investor had placed $100,000 in 20-year US Treasury bonds in 1926, their investment today would be worth $14,274,000.

Isn’t that an impressive difference? Now, look at the inflation adjusted chart* of the long-term performance of stocks, bonds, T-bills, and inflation from 1926 to 2017. It is eye opening to see how common stocks have outperformed bonds over the years. Of course, no one can predict stock market returns in the short-term, but as historical data shows, the better investment is in a portfolio weighted more towards equities than fixed-income in the long-term.

According to a US Department of Health and Human Services study conducted in December 2017, the new average life expectancy for Americans is 78.7 years. While many investors use their current age to determine their investment horizon, most investors who are at or above the average life expectancy still want to leave an estate for their families. Which means that they really have an unlimited investment horizon.

As you ring in the new year and bombard yourself with a variety of different resolutions, re-evaluating your risk tolerance and increasing your investment portfolio’s exposure to common stocks should be a consideration for improving your investment performance in the long run.

Past performance does not guarantee future returns.

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