Why Own Stocks

Affinity FINANCIAL

Ownership, Growth, and the Patience to Collect It

A stock is a slice of a business. When you own one, part of every dollar that business earns belongs to you. A lender is promised a set payment and never collects more. An owner is promised nothing, gets paid last, and keeps everything that's left, with no ceiling. **Bonds steady a portfolio. Stocks grow it.** The one thing ownership asks of you is time.

01 Investing isn't speculating or gambling

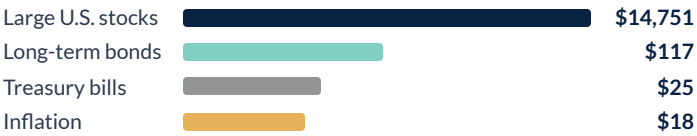
The difference is where the return comes from.

Investing	Speculation	Gambling
Paid by the business: profits, dividends and growth, over years.	Paid by the next buyer, who is often a professional with better tools.	Pays the house. The longer you play, the surer the loss.

A good test: would you own it if the market closed for five years?

03 Why stocks have built wealth

Over the long run, prices follow profits, and companies are built to grow them. $1 invested in 1926 grew to this by 2025:



Bars on a log scale. Dividends and interest reinvested.

02 Where returns come from

> **Return ≈ Dividends + Growth in profits per share + Change in what investors will pay (P/E)**

The first two come from the business. The third is the market's mood. Over one year, mood usually wins. Over decades, the business does. From 1960 to 2025, S&P 500 returns averaged about **10.6% a year**: roughly 7.1% from earnings growth, 3.0% from dividends and only 0.5% from rising P/Es.

04 Volatility is the price of admission

Since 1980, the S&P 500 has dropped an average of **14.2%** from its high at some point each year, yet finished positive in **35 of 46** years. Since 1942, the average bull market lasted about **4.4 years (+153%)** and the average bear about **11 months (−32%)**.

A day's price move is an opinion about a company, not a report card on it.

> ***In the short run you own a price. In the long run you own a business.***

05 Time works for owners: how often the S&P 500 finished higher

54%	76%	89%	96%	100%
OF DAYS	OF YEARS	OF 5-YEAR PERIODS	OF 10-YEAR PERIODS	OF 20-YEAR PERIODS

Day to day, the market is close to a coin flip. At roulette, the odds of being ahead fall from 47% after one spin to 4% after 1,000.

06 An evidence-based way to own stocks

1. **Trust market prices.** Outguessing them consistently is very hard.
2. **Diversify broadly** across companies and countries.
3. **Lean patiently** toward higher expected returns.
4. **Mind costs and taxes.** They're certain. Returns aren't.
5. **Stay disciplined.** Set your mix, rebalance, and stick with it.

Traps to sidestep: selling in a scare, chasing what just worked, waiting for a better time to start, mistaking a story for an edge, and letting your paycheck and your portfolio ride on the same company.

07 How much in stocks?

Stocks are for money you won't need for at least **seven years**, and longer is better. Bonds and cash cover the nearer years and fuel rebalancing. Count *all* of your stock exposure, including employer equity and your 401(k).

Behavior matters most. Over the ten years through 2025, funds returned 9.9% a year, but the average investor dollar in them earned 8.7%. The timing cost people.

08 Questions to ask about your stocks

IF YOU'RE NEW
What is this money for, and how many years until I need it?

IF YOU PICK STOCKS
After costs and taxes, is my picking account beating a simple index fund?

IF YOU OWN THE MARKET
How much of my "diversified" fund is really a handful of companies, or one country?

IF YOU HOLD EMPLOYER EQUITY
If my company had a bad year, how much of my paycheck *and* my net worth would it hit?

Scan to read the full article at affinity.financial/why-own-stocks

Derek Pantele, CFP®, CFA is the founder of Affinity Financial, a wealth advisory firm based in Orange, CA. He works with professionals and families navigating major financial decisions, including equity compensation, liquidity events, and long-term wealth planning.

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