

Average Return?



Q3-2021

Myth

Since the long-term historical average annual return on the stock market is ~10%, investors should expect to see calendar-year returns near 10%.

Reality

Quite the contrary, it is likely that **investors will only rarely see a calendar year where equity returns are close to their long-term historical averages.** Case in point: since 1957, only 8 years out of 63 have seen the Canadian stock market generate performance near average (+/- 2%).

One likely reason for this myth is the common misconception that “average” is synonymous with “typical.” However, there is no such thing as a “typical” year in the stock market.

As a result, investors should expect a wide range of possible outcomes in any given year, whereas only the passage of time can lead to an annualized return near the market’s long-term average.

Equity market calendar year total return: 1957 - 2020
S&P/TSX Composite

