Here’s how much money you’d have now if you invested $1,000 at the start of the bull market in 2020

Published Wed, Mar 23 202210:26 AM EDT
Ryan Ermey@RYANERMEY

Getty Images

KEY POINTS

- “We’ve come from hell and back in this bull market,” says one expert.

- In the two years since hitting the bottom of the Covid bear market, the S&P 500 has returned 94%.

- Don't try to guess when the next bear will occur, experts say. Instead, invest consistently through market ups and downs.

Despite some recent pullbacks, this week marks the second birthday of what has been a rapidly charging bull market.

Since hitting its nadir on March 20, 2022, the S&P 500 has logged a total return, including reinvested dividends, of 102%. That means a $1,000 investment in an ETF tracking the index, had you invested at the very beginning of the bull, would be worth roughly $2,020 today. In other words, you'd have more than doubled in your money in just two years.

Those outsized gains followed the fastest and steepest bear decline in history, when the broad market fell nearly 34% in a matter of 33 days at the start of the pandemic.
The next bear market may not be as swift or as steep, but it will happen eventually. And when you next see red numbers in your brokerage account again, let the recent bull market be a reminder that you have a couple of very good things going for you as a long-term investor.

"We've come from hell and back in this bull market, but younger investors need to look back to 1929. You'll see that the market has generally gone up over time," says Craig Ferrantino, president of Craig James Financial Services in Melville, New York. "Plus you have something that older investors don't have: time. Time is the greatest predictor of success in markets."

'You have to be willing to accept' volatility as a long-term investor

Over the course of an investor's life, there will be plenty of ups and downs. Navigating through them successfully comes down to understanding

that market volatility is a natural part of reaching your long-term investing goals.

“If we go into running water, we’ll probably get to the direction we want to go in faster than if we walking on dry land,” says Ferrantino. “You just have to be willing to accept that the river will have rough and smooth patches.”

Despite recent pullbacks, investors who have been willing to go with the flow of the market over the past two years have had a remarkably fast ride. The enormous two-year gains dwarf the average annual historical return of the broad stock market, which clocks in at around 10%.

Even after only two years, things look remarkably good. Consider: In the roughly five-year period between the end of the 2000-2002 bear market and the precipice of the Global Financial Crisis in 2007, the S&P 500 returned 101.5%.

Don’t try to time markets

Still, you may be thinking, what if I stay invested during good runs but sell before things go bad? That would almost certainly net you amazing returns. But even investing pros find timing swings in the stock market extraordinarily difficult.

“Timing the market is impossible, because you have to make two decisions: when to get out and when to get back in,” Ellen Rogin, a certified financial planner and co-author of “Picture Your Prosperity” told Grow. “And if the market went up during a pandemic and after an insurrection, if you’re trying to guess what moves markets, you’re not going to be able to.”

Rather than trying to figure out what the market will do, you’re better off investing consistently during downturns. By employing a strategy known as dollar-cost averaging, in which you invest a consistent amount at set intervals, you’ll buy more shares when stocks are cheaper and fewer when they’re expensive.

Say you were the unluckiest investor in the world and plunked $1,000 in an ETF tracking the S&P 500 on February 14, 2020 — the day the index peaked before the pandemic-fueled bear market. Had you stayed invested throughout and not put in another dime, you'd have earned a total annualized return of 16.3%, for a total of $1,368 by the close of March 18, according to data from DQYDJ.

Had you invested $100 per week over that period, your return bumps to 18.45% annualized, for a total of $4,294.

Don't 'put your eggs in one basket'

It's worth noting that even during the market's meteoric rise during the current bull, not every investment performed as well as others. Energy stocks have performed brilliantly since the start of 2021, but had a brutal 2020, with energy firms in the S&P surrendering 32.5% on the year.

And after a gangbusters run for tech stocks during the early part of the bull, the sector has shed 11% so far in 2022.

This uneven performance speaks to the need for investors to own a broad array of assets that will produce different types of returns under different market conditions. "Building a portfolio where nothing moves in the exact same direction will give you a blended return," Lauren Hunt, a CFP and senior advisor at Monetta Group told Grow. "Research has shown that those portfolios will get you a higher risk-adjusted return over time."

You may also want to consider how your overall financial picture would be affected by a sharp drawdown in the stock market, especially one triggered by events, such as a pandemic, which have wide ripple effects across financial markets. "Diversification is your friend, and like most things in life, you don't want to have all your eggs in one basket," says Grant Sabatier, author of "Financial Freedom" and creator of the Financial Freedom Course. "You don't want to rely fully on your full-time job, or one side-hustle income stream, or rental properties for income — you want multiple irons in the fire."

The goal, he says, is to make sure you have enough money to live on so that you won't have to withdraw money from your long-term investments when the value of your portfolio is down. One solution, besides having multiple income streams, is to build a large safety net in the form of an emergency fund. "I always have a two-year cash buffer, so I don't have to sell my investments when they're down 40%," he says. "Once things have gone up, I sell some of my investments to refill that cash bucket."