Investment Titans, J. Burton (2001)

FOR MUCH OF the 1990s, investors enjoyed extraordinary, double-digit stock-market gains year after year. Not surprisingly, a popular belief developed among even more sophisticated shareholders that if you hold stocks long enough—10, 20, 50 years—you will not, cannot, lose money in the market. What a nice idea. There's just one problem, says Paul A. Samuelson, the celebrated Nobel Prize–winning economist: It's not true.

The chance that the stock market will sack you with a sharp, crippling setback does not diminish with each passing year, Samuelson contends—no matter how luxurious a time horizon you have. Market risk never disappears. Investment experts religiously preach portfolio diversification to soften the impact of an unforeseen blow—typically advising a tailored blend of common stocks, plus bonds and cash. Rightly so, but broad diversification is only a partial defense. Holding more stocks doesn't eliminate all risk, just as insurance companies don't operate risk-free by writing more and more homeowner policies. There's just no avoiding systematic risk—the unpredictable consequences of being in the market itself. As Samuelson reminds us, those dice are rolled each day:

> **The meter is always running with respect to risk. The argument people use—that the long-term investor doesn't have to worry about risk the way the short-term one does—is not correct. It is not true that risk erodes toward zero as the investment horizon lengthens. Every year that comes up is the first year of what's left.**