

The gross underperformance of the average investor in 2011 clearly displays what has been the case for over twenty-five years – irrational decisions lead to inferior returns. This is not just the case on a year-by-year basis, but for intermediate and long-term results as well.

The table below shows the 1, 3, 5, 10 and 20 year annualized returns for the average equity and fixed income investor. **When comparing these annualized returns to corresponding benchmarks we see that both equity and fixed income mutual fund investors underperformed the market for every timeframe.**

### Annualized Investor Returns vs. Benchmark

	Avg. Equity Investor	S&P 500	Difference	Avg. Fixed Income Investor	Barclays Aggregate Bond Index	Difference
20 Year	3.49%	7.81%	-4.32%	0.94%	6.50%	-5.56%
10 Year	2.39%	2.92%	-0.53%	0.93%	5.78%	-4.85%
5 Year	-2.21%	-0.25%	-1.96%	0.95%	6.50%	-5.55%
3 Year	12.56%	14.11%	-1.55%	4.07%	6.77%	-2.70%
12 month	-5.73%	2.12%	-7.85%	1.34%	7.84%	-6.50%

Notice the sizable gap in the average investors' 20-year annualized return compared to the major indices.

- ✓ The average equity investor underperformed the S&P 500 by **4.32%** for the past 20 years on an annualized basis.

The average fixed income investor underperformed the Barclay's Aggregate Bond Index by **5.56%** for the past 20 years on an annualized basis.

### Asset Allocation Funds

Asset Allocation funds that include "Target Date" funds have been studied in QAIB since 2005. Similar to the average equity and fixed income investor, the average asset allocation investor has underperformed the market. The average asset allocation investor underperformed the S&P 500 on an annualized basis for all timeframes. The average asset allocation investor underperformed Barclay's Aggregate Bond Index on an annualized basis for all timeframes except 3 years.

The table and corresponding chart below show the average asset allocation fund investor's 1, 3, 5, 10 and 20-year annualized returns compared to the S&P 500, Barclays Aggregate Bond Index and inflation.

	Average Asset Allocation Investor	S&P 500	Barclays Aggregate Bond Index	Inflation
20 Year	2.12%	7.81%	6.50%	2.56%
10 Year	1.11%	2.92%	5.78%	2.62%
5 Year	-1.48%	-0.25%	6.50%	2.54%
3 Year	7.57%	14.11%	6.77%	2.38%
12 Months	-1.27%	2.12%	7.84%	2.96%