MORNINGSTAR Wealth

Investment Insight

The Market Is Collecting the Tuition Bills

Morningstar Investment Management LLC
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Danny Noonan
Senior Investment Writer

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Ken Griffin—founder of Citadel, a powerhouse in both active investing and market infrastructure—once recounted his investing losses to a group of college students, saying:

"All my losses are tuition, and I have the most expensive education in American history. If every time you lost money, you got depressed and angry, you couldn't deal with it, you'd have a short career."

Griffin continued:

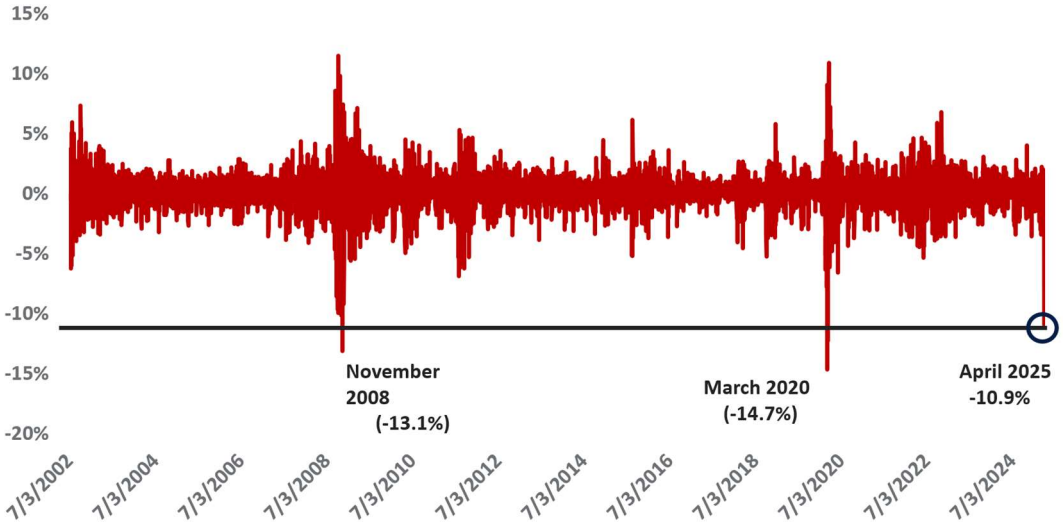
"It doesn't mean you don't think long and hard about what's going on, but you have to keep it in perspective."

It might be the perfect quote for the current moment.

Early April brought the largest two-day decline for US stocks since March 2020, with markets falling 11% on April 3 and 4.

Rolling 2-Day Returns (Morningstar US Market Index)

July 2002—April 2024



Source: Morningstar Direct. Morningstar US Market Index used for analysis. Past performance no guarantee of future results. Indexes are not available for direct investment. Data as of April 7, 2025.

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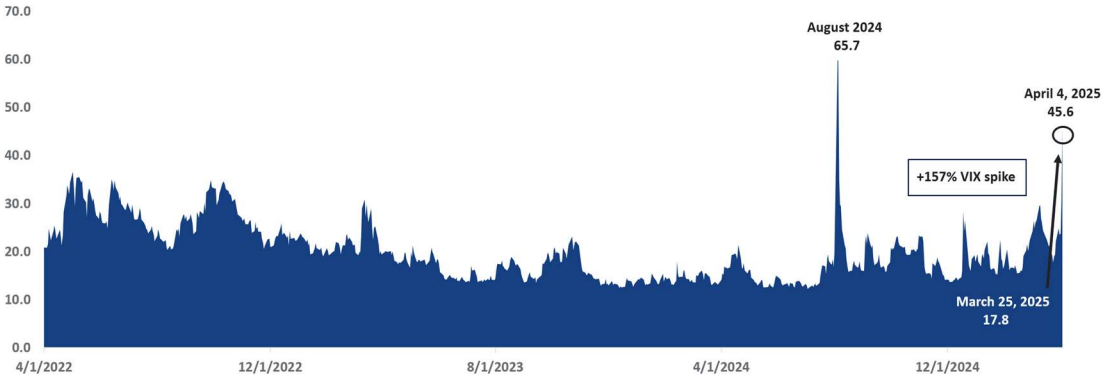
Fear surged—measured by the Volatility Index (VIX)—to its highest levels since last August.

Fear Takes Over

VIX Surges 150% in Just Two Weeks



Source: CBOE. April 2022—April 4, 2025. Data as of April 7. For illustrative purposes only.

In short, investors are paying their tuition. Financial markets are leading the nightly news, more people are paying attention, and many are asking questions that follow a logic path of *"how much worse can it get?"*

The potential ripple effects from tariffs are the center of attention:

- *Will companies pull back on spending?*
- *Will that lead to layoffs?*
- *Will other countries retaliate?*
- *Does all this tip us into a recession?*

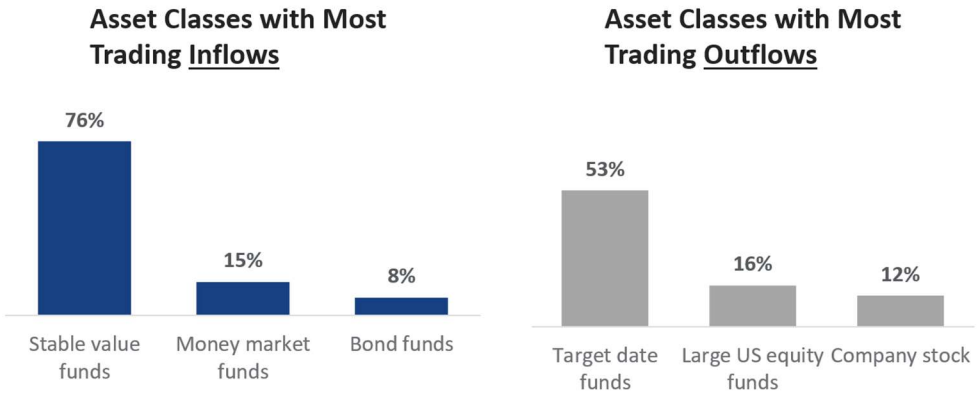
All valid questions. But perspective—especially one that stretches beyond the next six months—is essential.

These moments are when markets truly test us. Loss aversion—the idea that *losses hurt more than gains feel good*—can shape our decisions. Put simply, human nature can work against us.

For context, 2022—the last time we entered a bear market—offers a telling case study. According to 401(k) contribution data, many investors began shifting into more conservative assets: stable value funds, money markets, and bonds. In doing so, they reduced their exposure to stocks.

Investors Chased Safety During the 2022 Bear Market

401(k) Contributions



Source: Alight Solutions 401(k) Index. Data reflects 2022 investment flows into 401(k)s. For illustrative purposes.

In hindsight, many of those decisions were driven by doing what was comfortable, rather than what was rational. It turned out to be a mistake —one worth remembering as we move forward.

One of the simple truths of investing is that volatility often begets more volatility. Market swings tend to cluster—meaning the worst days are often followed closely by the best.

Since 2002, using the Morningstar US Market Index, seven of the 10 best trading days occurred within just two weeks of the 10 worst.

Missing the Worst Days Often Means Missing the Best Days

The 10 Best and 10 Worst Trading Days Often Cluster Together

	10 Best Days	
	Date	1-Day % Move
1	10/13/2008	11.5%
2	10/28/2008	10.3%
3	4/9/2025	9.6%
4	3/24/2020	9.5%
5	3/13/2020	9.0%
6	4/6/2020	7.2%
7	11/13/2008	7.1%
8	3/23/2009	7.1%
9	11/24/2008	6.6%
10	3/10/2009	6.4%

	10 Worst Days	
	Date	1-Day % Move
1	3/16/2020	-12.3%
2	3/12/2020	-9.6%
3	12/1/2008	-9.2%
4	10/15/2008	-9.1%
5	9/29/2008	-8.6%
6	3/9/2020	-7.8%
7	10/9/2008	-7.5%
8	8/8/2011	-6.9%
9	11/20/2008	-6.8%
10	11/19/2008	-6.3%

Source: Morningstar Direct. Morningstar US Market Index used for analysis. Time period: July 2002—present. Past performance no guarantee of future results. Indexes are not available for direct investment.

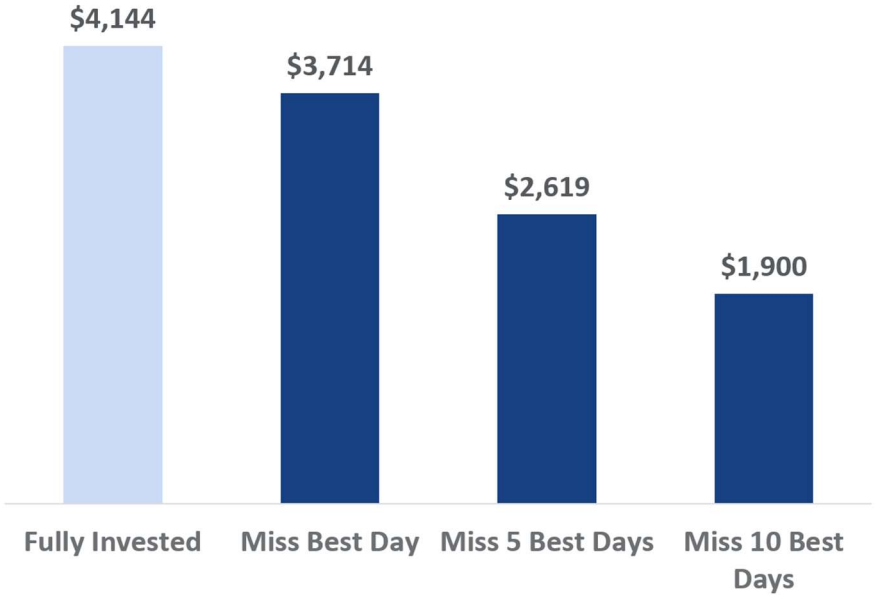
Going to cash to avoid volatility can feel like a safe choice—but it's often an expensive one.

Why? Because by the time the dust settles and things *feel* safe again, the market may have already moved on.

Said differently: staying invested matters. Missing the "bounce-back days" has a profound impact on long-term returns. Over the last 25 years, an investor who missed only the five best days would have earned returns more than 36% lower than someone who stayed fully invested.

Staying Invested Matters

Scenario analysis: 25-year time-horizon with $1,000 initial investment (US Stocks)



Source: Clearnomics. S&P 500 used for analysis. Past performance no guarantee of future results. Indexes are not available for direct investment. Data as of April 7, 2025.

Volatility isn't something we can avoid; rather, it's something we must manage. That's where diversification, a clear financial plan, and active rebalancing matter. But above all, an investor's own behavior is the critical swing factor during market volatility.

Markets humble everyone, even the most experienced investors. Drawdowns can feel personal, especially when headlines are loud and uncertainty is high. But as Ken Griffin put it, those losses are tuition—the cost of participating in an endeavor that, when approached with discipline and perspective, can be immensely rewarding over time.

What separates successful investors isn't the absence of losses—it's the ability to learn from them, stay grounded, and remain committed to the process. The market is always teaching. The question is: Will we stay in our seats and keep learning?

Because in the long run, it's not about avoiding volatility—it's about learning how to navigate through it.

Our team is ready to discuss how our portfolios might fit into your practice and help address your clients' goals. Call 800 886-1749 to schedule a meeting or contact your regional sales representative.

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For More Information

Phone: +1 800 866-1749
Email: wealth.us@morningstar.com
Online: www.mp.morningstar.com

MORNINGSTAR Wealth

22 West Washington Street
Chicago, IL 60602 USA

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