

# Market Drawdowns Tend to be Short-lived

Since 1942, there have been six drawdowns of 30% or more for U.S. stocks. The shortest drawdown lasted 1.1 months (COVID-19 pandemic), while the longest was 18 months (Tech Bubble)<sup>1</sup>. What happens after a drawdown? Historically, the market expanded over the next seven years and delivered a total return of 225%, on average.<sup>2</sup>

YEAR	Maximum Drawdown	Time to Decline 30% (Days)	Total Return During Expansion	Length of Expansion Following Decline
1968	36.1%	531	37.5%	2.6 years
1973	48.2%	540	125.6%	6.2 years
1987	33.5%	55	582.1%	12.3 years
2000	49.1%	542	101.5%	5 years
2007	59.8%	363	400.5%	11 years
2020	33.9%	30	102.5%	2 years
Average	43.4%	343.5 days	225.0%	6.5 years

Source: Factset, Morningstar, First Trust, Bloomberg. Data for the S&P 500 Index. Data measured daily from 4/29/1942-3/31/2025

# Still Fearful? Dip Your Toes in a Little at a Time

Despite these historical patterns, market drawdowns are disconcerting, and some investors may still fear investing at the wrong time. One way to overcome that concern is to dip your toe into the market slowly by dollar-cost averaging.

In dollar-cost averaging, individuals invest a specific amount at regular intervals over time. Most individuals already do this—through an employer-sponsored retirement plan, like a 401(k). In employer-sponsored plans, a set amount is typically taken out of earnings and invested each pay period.

By investing gradually, investors can potentially remove the emotional and

timing elements of putting their money to work in the market. The “averaging” in dollar cost averaging means that as stock prices fall, investors can buy shares at cheaper prices. Conversely, if prices rise, they are buying shares at higher prices, but over time the average market entry price may smooth out.

[Data](#) show that two-thirds of the time, investing immediately produced better long-term results than a staged entry. That’s in part because a portion of cash sits idle on the sidelines, so it’s not working to potentially build net worth. But for hesitant investors, the “cost” of dollar-cost averaging may well be worth the peace of mind.

## The Takeaway:

Investing on an ongoing basis should eliminate the illusion of the “right time.” We believe that time *in* the market is one of the key determinants of building wealth over time. But if being fully invested isn’t feasible, a staged entry is better than not investing at all. Our Wealth Advisors can work with you to implement a monthly funding plan into your Fool Wealth portfolio.



---

<sup>1</sup> Source: [First Trust, Bloomberg Daily returns for the S&P 500 Total Return Index](#) from Apr. 29, 1942 to Mar. 31, 2025.

<sup>2</sup> Source: [First Trust, Bloomberg Daily returns for the S&P 500 Total Return Index](#) from Apr. 29, 1942 to Mar. 31, 2025.

This message is provided for informational purposes only, reflects our general views on investing and should not be relied upon as recommendations or financial planning advice. We encourage you to seek personalized advice from qualified professionals, including (without limitation) tax professionals, regarding all personal finance issues. While we can counsel on tax efficiency and general tax considerations, Motley Fool Wealth Management (“MFWM”) does not (and is not permitted to) provide tax or legal advice. Clients who need such advice should consult tax and legal professionals. This article may not be relied upon as personalized financial planning or tax advice.

Motley Fool Wealth Management is an SEC registered investment advisor with a fiduciary duty that requires it to act in the best interests of clients and to place the interests of clients before its own. HOWEVER, REGISTRATION AS AN INVESTMENT ADVISOR DOES NOT IMPLY ANY LEVEL OF SKILL OR TRAINING. Access to Motley Fool Wealth Management is only available to clients pursuant to an [Investment Advisory Agreement](#) and acceptance of [Motley Fool Wealth Management’s Client Relationship Summary](#) and [Brochure](#) (Form ADV, Parts 2A and 2B). You are encouraged to read these documents carefully. All investments involve risk and may lose money. Motley Fool Wealth Management does not guarantee the results of any of its advice or account management. Clients should be aware that their individual account results may not exactly match the performance of any of our Model Portfolios. Past performance is no guarantee of future results. Each Personal Portfolio is subject to an account minimum, which varies based on the strategies included in the portfolio. Motley Fool Wealth Management retains the right to revise or modify portfolios and strategies if it believes such modifications would be in the best interests of its clients.

During discussions with our Certified Financial Planners, they may provide advice with respect to 401(k) and IRA rollovers into accounts that are managed by Motley Fool Wealth Management. Such recommendations pose potential conflicts of interest in that rolling retirement savings into a MFWM managed account will generate ongoing asset-based fees for Motley Fool Wealth Management that it would not otherwise receive.

Motley Fool Wealth Management, an affiliate of The Motley Fool LLC (“TMF”), is a separate legal entity, and all financial planning advice and discretionary asset management services for our clients are made independently by the financial planners and asset managers at Motley Fool Wealth Management. No TMF analyst is involved in the investment decision making or daily operations of MFWM.



Motley Fool Wealth Management, LLC  
2000 Duke Street, 2nd Floor  
Alexandria, VA 22314 USA