

The Arithmetic of Portfolio Losses

Our chart shows the return necessary to break even after incurring a loss. Losses act like reverse compound interest on your portfolio. A big loss requires an even bigger gain just to break even. To recover from the losses shown in light blue, an investor's portfolio must produce the return directly to the right in dark blue. As you can see, a 5% loss requires a 5.3% gain to get back to even, while a 20% loss requires a 25% gain.

