

WorstDay / BestDay

Imagine that each year for the past twenty years, you had \$10,000 to invest. You happened to choose the sample mutual fund that we studied in our presentation. How much would you have if you picked the worst day of each year – the market high for the year? What if you had picked the best day of the year – the market low for the year? Below on the left are the results if you had picked the worst day. On the right are the results if you had picked the best day. You would think the difference over 20 years would be very large, right?

Worst-day Investments (Market Highs)		
Date of Market High	Cumulative Investment	Account Value at End of Year
11/23/98	\$10,000	\$9,715
12/31/99	20,000	20,749
01/14/00	30,000	31,383
05/21/01	40,000	38,700
03/19/02	50,000	40,991
12/31/03	60,000	61,324
12/28/04	70,000	76,863
03/04/05	80,000	92,145
12/27/06	90,000	116,445
10/09/07	100,000	132,465
05/02/08	110,000	92,996
12/30/09	120,000	127,835
12/29/10	130,000	151,355
04/29/11	140,000	157,523
04/29/11	150,000	191,678
12/31/13	160,000	263,582
12/26/14	170,000	305,052
05/21/15	180,000	209,883
12/20/16	190,000	364,748
12/28/17	\$200,000	\$446,420
Average annual total return: 7.56%		

Best-day Investments (Market Lows)		
Date of Market Low	Cumulative Investment	Account Value at End of Year
08/31/98	\$10,000	\$11,855
01/22/99	20,000	24,745
03/07/00	30,000	35,995
09/21/01	40,000	45,178
10/09/02	50,000	49,478
03/11/03	60,000	75,638
10/25/04	70,000	93,462
04/20/05	80,000	110,531
01/20/06	90,000	139,157
03/05/07	100,000	157,879
11/20/08	110,000	114,396
03/09/09	120,000	160,864
07/02/10	130,000	190,077
10/03/11	140,000	197,679
06/04/12	150,000	239,457
01/08/13	160,000	329,751
02/03/14	170,000	381,132
12/18/15	180,000	386,133
02/11/16	190,000	454,682
01/19/17	\$200,000	\$555,831
Average annual total return: 9.27%		

Wrong! There is a difference but it is not as large as you would expect. The moral of the story is that you need to get started now. Don't wait for the best time to invest. The best time to invest is right now!
(Pssst. You are in it for the long term, right? And you do remember that there are no guarantees, right? And as the numbers above show, your investment is going to be volatile, right? So when everyone is screaming that it's the end of the world and your investment falls in value, you are not going to sell, right? Okay, just wanted to make sure.)