

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
03/19/02	\$10,000	\$7,789
12/31/03	20,000	19,264
12/28/04	30,000	30,567
03/04/05	40,000	42,461
12/27/06	50,000	58,909
10/09/07	60,000	71,435
05/02/08	70,000	53,092
12/30/09	80,000	76,985
12/29/10	90,000	94,889
04/29/11	100,000	102,059
10/05/12	110,000	127,583
12/31/13	120,000	178,672
12/26/14	130,000	209,735
05/21/15	140,000	215,861
12/20/16	150,000	257,028
12/28/17	160,000	317,568
10/13/18	170,000	305,230
12/27/19	180,000	389,880
12/31/20	190,000	456,156
12/29/21	\$200,000	\$579,460
Average annual total return: 9.86%		

Best-day Investments (Market Lows)		
Date of Market Low	Cumulative Investment	Account Value at End of Year
10/09/02	\$10,000	\$10,693
03/11/03	20,000	26,483
10/25/04	30,000	39,448
04/20/05	40,000	52,782
01/20/06	50,000	72,101
03/05/07	60,000	86,753
11/20/08	70,000	67,852
03/09/09	80,000	101,507
07/02/10	90,000	124,162
10/03/11	100,000	132,933
06/04/12	110,000	16,640
01/08/13	120,000	230,638
02/03/14	130,000	269,859
12/18/15	140,000	276,485
02/11/16	150,000	329,191
01/19/17	160,000	405,740
12/24/18	170,000	389,445
01/03/19	180,000	497,454
03/23/20	190,000	585,230
01/29/21	\$200,000	\$743,237
Average annual total return: 11.70%		

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.)