

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
05/21/01	\$10,000	\$8,689
03/19/02	20,000	15,222
12/31/03	30,000	28,654
12/28/04	40,000	40,951
03/04/05	50,000	53,746
12/27/06	60,000	71,835
10/09/07	70,000	85,134
05/02/08	80,000	62,032
12/30/09	90,000	88,354
12/29/10	100,000	107,493
04/29/11	110,000	114,443
10/05/12	120,000	141,902
12/31/13	130,000	197,641
12/26/14	140,000	230,991
05/21/15	150,000	236,814
12/20/16	160,000	281,150
12/28/17	170,000	346,459
10/13/18	180,000	332,226
12/27/19	190,000	423,504
12/31/20	\$200,000	\$494,655
Average annual total return: 8.29%		

Best-day Investments (Market Lows)		
Date of Market Low	Cumulative Investment	Account Value at End of Year
09/21/01	\$10,000	\$10,755
10/09/02	20,000	19,890
03/11/03	30,000	38,100
10/25/04	40,000	52,203
04/20/05	50,000	66,477
01/20/06	60,000	87,982
03/05/07	70,000	103,582
11/20/08	80,000	78,835
03/09/09	90,000	115,474
07/02/10	100,000	139,768
10/03/11	110,000	148,267
06/04/12	120,000	182,369
01/08/13	130,000	254,126
02/03/14	140,000	296,180
12/18/15	150,000	302,430
02/11/16	160,000	358,936
01/19/17	170,000	441,367
12/24/18	180,000	422,735
01/03/19	190,000	538,917
03/23/20	\$200,000	\$632,705
Average annual total return: 10.39%		

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.)