

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
12/31/99	\$10,000	\$9,425
01/14/00	20,000	19,546
05/21/01	30,000	27,345
03/19/02	40,000	31,243
12/31/03	50,000	48,967
12/28/04	60,000	63,303
03/04/05	70,000	77,700
12/27/06	80,000	99,613
10/09/07	90,000	114,665
05/02/08	100,000	81,371
12/30/09	110,000	113,048
12/29/10	120,000	134,970
04/29/11	130,000	141,440
04/29/11	140,000	173,116
12/31/13	150,000	238,993
12/26/14	160,000	277,433
05/21/15	170,000	282,685
12/20/16	180,000	333,739
12/28/17	190,000	409,448
10/13/18	\$200,000	\$391,084
Average annual total return: 6.37%		

Best-day Investments (Market Lows)		
Date of Market Low	Cumulative Investment	Account Value at End of Year
01/22/99	\$10,000	\$10,933
03/07/00	20,000	21,571
09/21/01	30,000	31,339
10/09/02	40,000	37,503
03/11/03	50,000	60,452
10/25/04	60,000	76,798
04/20/05	70,000	92,778
01/20/06	80,000	118,480
03/05/07	90,000	136,011
11/20/08	100,000	99,997
03/09/09	110,000	142,387
07/02/10	120,000	169,605
10/03/11	130,000	177,583
06/04/12	140,000	216,265
01/08/13	150,000	299,031
02/03/14	160,000	346,622
12/18/15	170,000	352,149
02/11/16	180,000	415,938
01/19/17	190,000	509,641
12/24/18	\$200,000	\$486,531
Average annual total return: 8.12%		

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.)