TIME, NOT TIMING…

As you can imagine, we receive numerous offers for investment publications. We reject nearly all of them because they are typically based on having a magic solution to timing the market or picking stocks. One recent newsletter solicitation had an interesting point, though.

It compared the performance of two hypothetical investors. The first investor, Chris, started investing in 1963. He invested $2,000 in the S&P 500 Stock Index, but was unlucky to have invested on the worst day of the year, the highest point. Incredibly, he did the same for the following nine years and each year Chris' luck was equally bad - he invested at the exact top of the market. At this point he stopped investing and just let his money ride. As of November 1, 1998 his total investment of $20,000 would have grown to $716,144.

The second investor, Pat, started investing in 1973, right after Chris quit. His luck was the opposite - he invested every year at the best time - the absolute bottom of the market. He kept this up for 20 years, investing twice as long and twice as much as Chris.

Guess what? As of that same November 1, 1998, Pat's $40,000 investment was worth $22,144 **LESS** than Chris' account; $694,000 vs. $716,144. Pat put in twice the money and had a much higher return, but Chris ended up with more.

MORAL: Forget market timing! Timing and luck are great, but you have better chances of success just by investing now. What a great message to pass on to the young people in our lives. Can you imagine what could happen to a well-invested Roth IRA for a teenager?