



How to Make a Quadrillion Dollars

It really is possible with perfect foresight to make a quadrillion dollars. On January 1, 1900, our hypothetical investor puts \$1 in the single asset (from any established market in the world) that would experience the highest total dollar return (income plus capital gain) over the following twelve months. Then, the money is rolled into the highest performing asset for the next year and so on throughout the 20th century. By December 31, 1999, the portfolio would be worth \$1.3 quadrillion (that's \$13 followed by 13 zeros!) For perspective, this investor would be 15,000 times wealthier than Bill Gates.

Realizing that no one has perfect foresight in the real world, what would happen if the strategy were slightly altered? Simply take a hindsight approach and invest the \$1 in last year's top-performing asset for the years 1900 through 1999. The results are not nearly as good. The hindsight investor's portfolio is worth \$290 (that's \$290 with zero zeros after it). This equates to only a 5.8% return compounded annually.

The hindsight approach is precisely what many investors do—chase the most recent hot performing mutual fund or sector. In contrast, we construct a portfolio based on the principles of Modern Portfolio Theory. We focus on your specific financial goals and objectives and your tolerance for risk. This approach is much more likely to result in reaching those goals and bringing you peace of mind when it comes to your finances.

*Based on an article in the February 2000 issue of **Inside Information**.
The tax consequences of selling each year are ignored for simplicity.*