

# TIME IN THE MARKETS AND THE POWER OF COMPOUNDING

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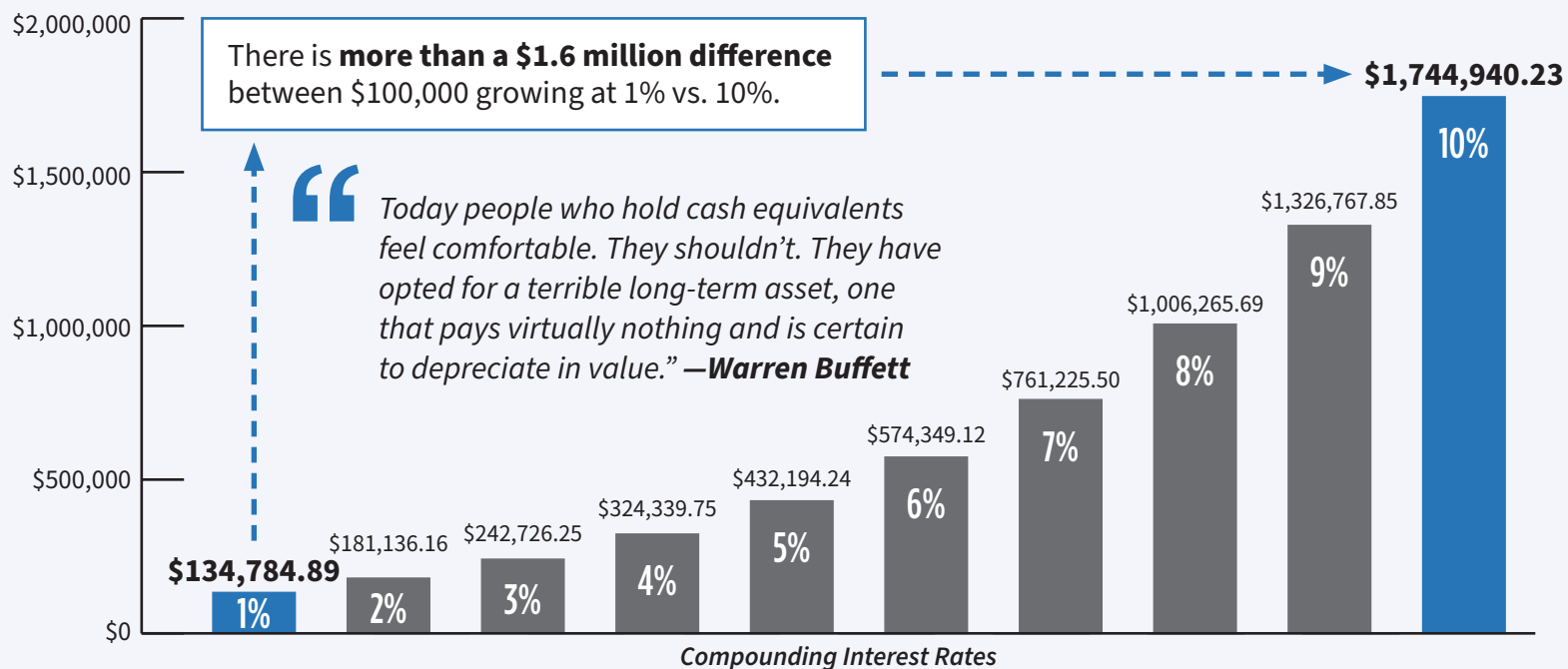
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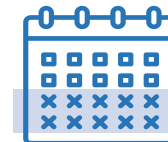


In challenging times, there's a tendency to try to time the market by moving out of stocks and into more traditional savings products like CDs or money market accounts.<sup>1</sup> **The chart below shows the power of compounding at various rates over a 30-year period.** Compounding works by generating interest on the original account value and on reinvested earnings over time. While lower yielding sources may be safer, they might not offer enough return potential to help you reach your long-term goals.

## GROWTH OF \$100K—30 YEARS<sup>2</sup>



## MISSING THE UPSIDE



Studies show that missing the stock market's **10 best days** over a 30-year period can lower an investor's average annual total return by **2.72%**.

Missing the **best 30 days** lowers an investor's return by **6.14%**<sup>3</sup>

Trying to time the market can be detrimental to long-term investing success.

<sup>1</sup> Certificates of deposit are insured and both CDs and money markets offer a fixed rate of return, whereas both the principal and yield of investment securities will fluctuate with changes in market conditions. While stocks may offer greater return potential, they may also be subject to substantially more risk.

<sup>2</sup> This hypothetical example assumes an initial \$100,000 contribution, with no additional deposits, and compound interest from 1% to 10%. It does not suggest nor recommend that an individual allocate 100% to equities. The ending values do not reflect taxes, fees, inflation, or withdrawals. If they did, amounts would be lower. This example is for illustrative purposes only and does not represent the performance of any security. Consider time horizon and risk implications when making an investment decision, as the chart may not reflect this. The assumed interest rates used in this example are not guaranteed. Investments that have potential for higher rates of return also come with risk of loss.

<sup>3</sup> Source: Bloomberg and Wells Fargo Investment Institute. Daily S&P 500<sup>®</sup> returns from September 1, 1992–August 31, 2022. For illustrative purposes. The Index is unmanaged and not available for direct investment. Past performance is no guarantee of future results.

# THE POWER OF COMPOUNDING

## COMPOUNDING RATES OF RETURN

	1.00%	2.00%	3.00%	4.00%	5.00%	6.00%	7.00%	8.00%	9.00%	10.00%
<b>Year</b>	<b>Account Value</b>									
<b>0</b>	<b>\$100,000.00</b>	<b>\$100,000.00</b>	<b>\$100,000.00</b>	<b>\$100,000.00</b>	<b>\$100,000.00</b>	<b>\$100,000.00</b>	<b>\$100,000.00</b>	<b>\$100,000.00</b>	<b>\$100,000.00</b>	<b>\$100,000.00</b>
1	\$101,000.00	\$102,000.00	\$103,000.00	\$104,000.00	\$105,000.00	\$106,000.00	\$107,000.00	\$108,000.00	\$109,000.00	\$110,000.00
2	\$102,010.00	\$104,040.00	\$106,090.00	\$108,160.00	\$110,250.00	\$112,360.00	\$114,490.00	\$116,640.00	\$118,810.00	\$121,000.00
3	\$103,030.10	\$106,120.80	\$109,272.70	\$112,486.40	\$115,762.50	\$119,101.60	\$122,504.30	\$125,971.20	\$129,502.90	\$133,100.00
4	\$104,060.40	\$108,243.22	\$112,550.88	\$116,985.86	\$121,550.63	\$126,247.70	\$131,079.60	\$136,048.90	\$141,158.16	\$146,410.00
5	\$105,101.01	\$110,408.08	\$115,927.41	\$121,665.29	\$127,628.16	\$133,822.56	\$140,255.17	\$146,932.81	\$153,862.40	\$161,051.00
6	\$106,152.02	\$112,616.24	\$119,405.23	\$126,531.90	\$134,009.56	\$141,851.91	\$150,073.04	\$158,687.43	\$167,710.01	\$177,156.10
7	\$107,213.54	\$114,868.57	\$122,987.39	\$131,593.18	\$140,710.04	\$150,363.03	\$160,578.15	\$171,382.43	\$182,803.91	\$194,871.71
8	\$108,285.67	\$117,165.94	\$126,677.01	\$136,856.91	\$147,745.54	\$159,384.81	\$171,818.62	\$185,093.02	\$199,256.26	\$214,358.88
9	\$109,368.53	\$119,509.26	\$130,477.32	\$142,331.18	\$155,132.82	\$168,947.90	\$183,845.92	\$199,900.46	\$217,189.33	\$235,794.77
<b>10</b>	<b>\$110,462.21</b>	<b>\$121,899.44</b>	<b>\$134,391.64</b>	<b>\$148,024.43</b>	<b>\$162,889.46</b>	<b>\$179,084.77</b>	<b>\$196,715.14</b>	<b>\$215,892.50</b>	<b>\$236,736.37</b>	<b>\$259,374.25</b>
11	\$111,566.83	\$124,337.43	\$138,423.39	\$153,945.41	\$171,033.94	\$189,829.86	\$210,485.20	\$233,163.90	\$258,042.64	\$285,311.67
12	\$112,682.50	\$126,824.18	\$142,576.09	\$160,103.22	\$179,585.63	\$201,219.65	\$225,219.16	\$251,817.01	\$281,266.48	\$313,842.84
13	\$113,809.33	\$129,360.66	\$146,853.37	\$166,507.35	\$188,564.91	\$213,292.83	\$240,984.50	\$271,962.37	\$306,580.46	\$345,227.12
14	\$114,947.42	\$131,947.88	\$151,258.97	\$173,167.64	\$197,993.16	\$226,090.40	\$257,853.42	\$293,719.36	\$334,172.70	\$379,749.83
15	\$116,096.90	\$134,586.83	\$155,796.74	\$180,094.35	\$207,892.82	\$239,655.82	\$275,903.15	\$317,216.91	\$364,248.25	\$417,724.82
16	\$117,257.86	\$137,278.57	\$160,470.64	\$187,298.12	\$218,287.46	\$254,035.17	\$295,216.37	\$342,594.26	\$397,030.59	\$459,497.30
17	\$118,430.44	\$140,024.14	\$165,284.76	\$194,790.05	\$229,201.83	\$269,277.28	\$315,881.52	\$370,001.81	\$432,763.34	\$505,447.03
18	\$119,614.75	\$142,824.62	\$170,243.31	\$202,581.65	\$240,661.92	\$285,433.92	\$337,993.23	\$399,601.95	\$471,712.04	\$555,991.73
19	\$120,810.90	\$145,681.12	\$175,350.61	\$210,684.92	\$252,695.02	\$302,559.95	\$361,652.75	\$431,570.11	\$514,166.13	\$611,590.90
<b>20</b>	<b>\$122,019.00</b>	<b>\$148,594.74</b>	<b>\$180,611.12</b>	<b>\$219,112.31</b>	<b>\$265,329.77</b>	<b>\$320,713.55</b>	<b>\$386,968.45</b>	<b>\$466,095.71</b>	<b>\$560,441.08</b>	<b>\$672,749.99</b>
21	\$123,239.19	\$151,566.63	\$186,029.46	\$227,876.81	\$278,596.26	\$339,956.36	\$414,056.24	\$503,383.37	\$610,880.77	\$740,024.99
22	\$124,471.59	\$154,597.97	\$191,610.34	\$236,991.88	\$292,526.07	\$360,353.74	\$443,040.17	\$543,654.04	\$665,860.04	\$814,027.49
23	\$125,716.30	\$157,689.93	\$197,358.65	\$246,471.55	\$307,152.38	\$381,974.97	\$474,052.99	\$587,146.36	\$725,787.45	\$895,430.24
24	\$126,973.46	\$160,843.72	\$203,279.41	\$256,330.42	\$322,509.99	\$404,893.46	\$507,236.70	\$634,118.07	\$791,108.32	\$984,973.27
25	\$128,243.20	\$164,060.60	\$209,377.79	\$266,583.63	\$338,635.49	\$429,187.07	\$542,743.26	\$684,847.52	\$862,308.07	\$1,083,470.59
26	\$129,525.63	\$167,341.81	\$215,659.13	\$277,246.98	\$355,567.27	\$454,938.30	\$580,735.29	\$739,635.32	\$939,915.79	\$1,191,817.65
27	\$130,820.89	\$170,688.65	\$222,128.90	\$288,336.86	\$373,345.63	\$482,234.59	\$621,386.76	\$798,806.15	\$1,024,508.21	\$1,310,999.42
28	\$132,129.10	\$174,102.42	\$228,792.77	\$299,870.33	\$392,012.91	\$511,168.67	\$664,883.84	\$862,710.64	\$1,116,713.95	\$1,442,099.36
29	\$133,450.39	\$177,584.47	\$235,656.55	\$311,865.15	\$411,613.56	\$541,838.79	\$711,425.70	\$931,727.49	\$1,217,218.21	\$1,586,309.30
<b>30</b>	<b>\$134,784.89</b>	<b>\$181,136.16</b>	<b>\$242,726.25</b>	<b>\$324,339.75</b>	<b>\$432,194.24</b>	<b>\$574,349.12</b>	<b>\$761,225.50</b>	<b>\$1,006,265.69</b>	<b>\$1,326,767.85</b>	<b>\$1,744,940.23</b>

### KEY TAKEAWAYS

- ✓ Understanding the role that compounding plays in growing assets is an important concept.
- ✓ Keeping a long-term perspective is wise, especially in tough markets.
- ✓ Creating a financial plan and diversifying assets may help weather market ups and downs.

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