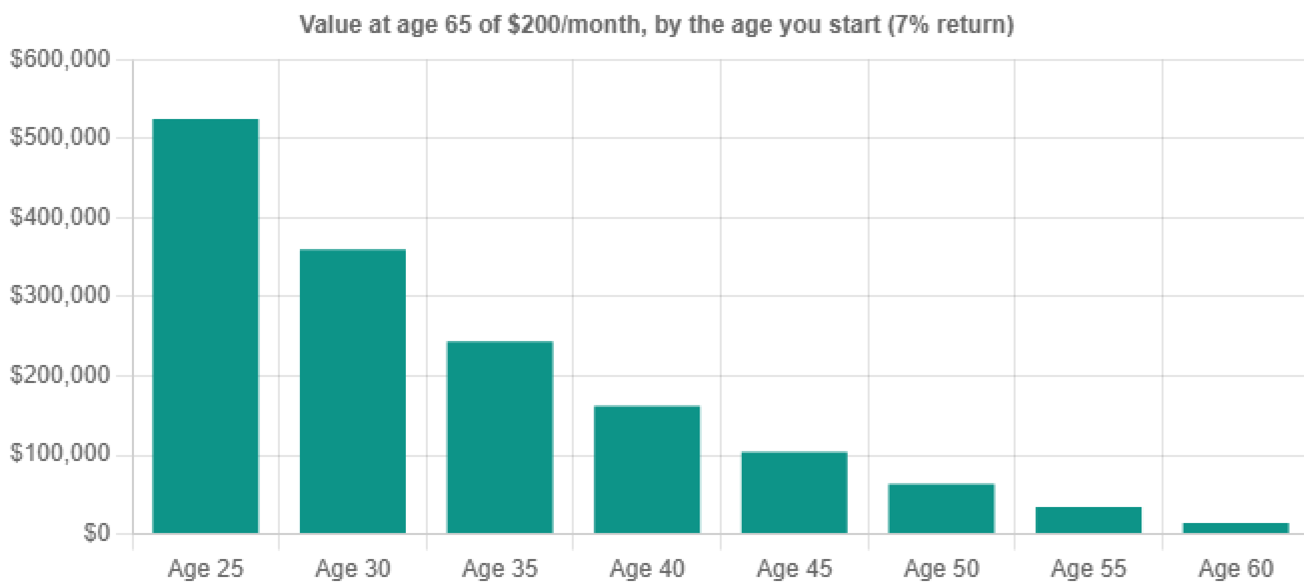
The Cost of Waiting to Invest

> Invest the same 200 dollars a month but start at different ages. Waiting is not neutral. Each year of delay quietly removes the most powerful years of growth.

Everyone knows they should start investing sooner. This shows what sooner is actually worth. The contribution is identical at every age. The only thing that changes is how many years it gets to compound.



Start age	Years investing	Total contributed	Value at 65
25	40	$96,000	$524,963
30	35	$84,000	$360,211
35	30	$72,000	$243,994
40	25	$60,000	$162,014
45	20	$48,000	$104,185
50	15	$36,000	$63,392
55	10	$24,000	$34,617
60	5	$12,000	$14,319

Reading the chart

Each bar invests the same 200 dollars a month from that age until 65 at a 7 percent return. Start at 25 and you end near 525,000 dollars. Start at 35 and it is about 244,000 dollars. Start at 45 and it is roughly 104,000 dollars.

Waiting ten years from 25 to 35 more than halves the result, even though the later investor still puts in money for 30 years. The lost decade is the earliest one, and because compounding builds on itself, those early years are worth far more than the years near the end.

The early investor who stops still wins

Here is the part that surprises people. Investor A puts in 200 dollars a month from age 25 to 35, a total of 24,000 dollars, then never adds another dollar and lets it grow to 65. Investor B waits until 35, then invests 200 dollars a month all the way to 65, a total of 72,000 dollars.

At 65, Investor A has about 281,000 dollars and Investor B has about 244,000 dollars. Investor A put in a third of the money and still came out ahead, purely because that money started compounding ten years sooner.

> **Key takeaway.** The best year to start was years ago. The second best is now, because the earliest years you invest are the ones that compound the longest.

Assumptions

- A fixed 200 dollars a month is invested from the starting age until age 65, with none of it withdrawn.
- It grows at a steady 7 percent a year with monthly compounding. You can change the rate below.
- Taxes, fees, and inflation are ignored, so real buying power at 65 would be lower.

Sources

- U.S. SEC Investor.gov, the power of compound interest and starting early