It's Never Too Late to Make a Million!

Description

One of the difficulties most people find when it comes to investing in the stock market is time. When you are younger, you have decades ahead of you in which compounding can work its magic on your portfolio. However, in your younger years you probably lacked the capital to invest while also trying to buy a house, bring up a family and go on holiday.

Similarly, in your older years you may have the capital to invest, but feel you lack the time for investments to come good. That's where you're wrong. In fact, the world's most successful and best-known investor, Warren Buffett, made 99% of his current wealth after he had turned 50. This means that whatever your net worth is right now, you could multiply it by 100 times over the next few decades.

In fact, if you are able to invest in the right companies at the right time, it is possible to record stunning gains on shares over a relatively short time period. Take for example the credit crunch. Stock markets across the globe suffered major falls and most investors decided that it was too risky to buy. After all, share prices were showing little sign of rising since the global economy was enduring its worst period since the Great Depression.

However, buying during the depths of the credit crunch could have worked out exceptionally well. Certainly, it could have meant short term volatility and a high degree of uncertainty, but the rewards were also high.

For example, the S&P 500 increased in value by over 200% in the decade following the credit crunch. This works out at 11.7% per annum and when dividends are included that figure is over 14% per annum. As such, investing even only for a decade could deliver stunning gains for investors who can see through the short term challenges faced by a company, sector or even economy.

Clearly, those returns are exceptionally high but it was a similar story in the 1980s and 1990s, as well as the early to mid-2000s for global stock markets. Key to taking advantage of such large rises in valuations is buying when shares are unpopular and most investors are selling, rather than buying. This requires an investor of any age to think long term and to focus on a company's fundamentals, rather than listening to their emotions. That's exactly what Warren Buffett has done, with him buying when other investors have been fearful.

Surprisingly, as you get older you may not find it any easier to be logical rather than emotional. The heart still rules the head for most decisions. However, being disciplined and taking advantage of opportunities that in the case of the credit crunch may only come along only every few decades means that you can increase your wealth by 100x even once you make it past the age of 50.

CATEGORY

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Date
2025/08/27
Date Created
2016/11/07
Author
peterstephens