The value of long-term investing

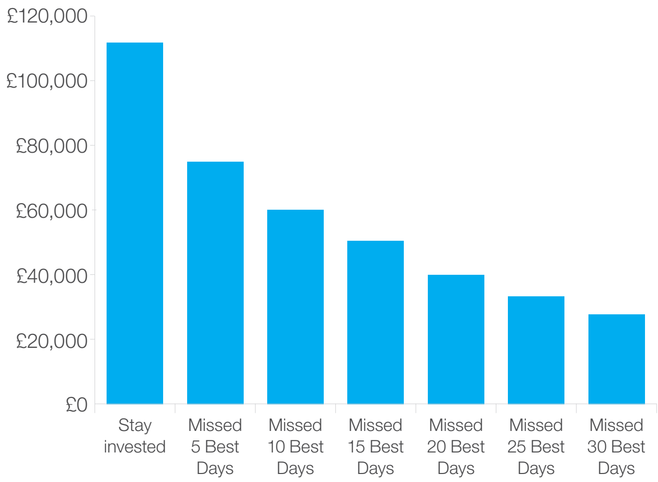
Investing for the long term gives your money the greatest chance of growing in value. But this means holding your nerve during periods of significant stock market volatility – and remembering that, as history shows, markets will recover.

Here are four reasons why investing over the long term is the wisest strategy.

1. Staying invested

As the old investment adage goes, it's time in the market – not timing the market – which is key to returns. By delaying, or cashing in your investments, you risk missing out on the best days in the market.

The global economy has endured plenty of adversity over the decades, and yet the stock market has continued to climb, given time.



Data source: Thomson Reuters

Returns are total returns of the FTSE All Share Index over the period 1st May 1989 to 30th April 2019 based on a £10,000 initial investment, with the assumption that all dividends paid out are reinvested.

Our investment managers at Brewin Dolphin have the time and expertise to help you make the most of your investments.

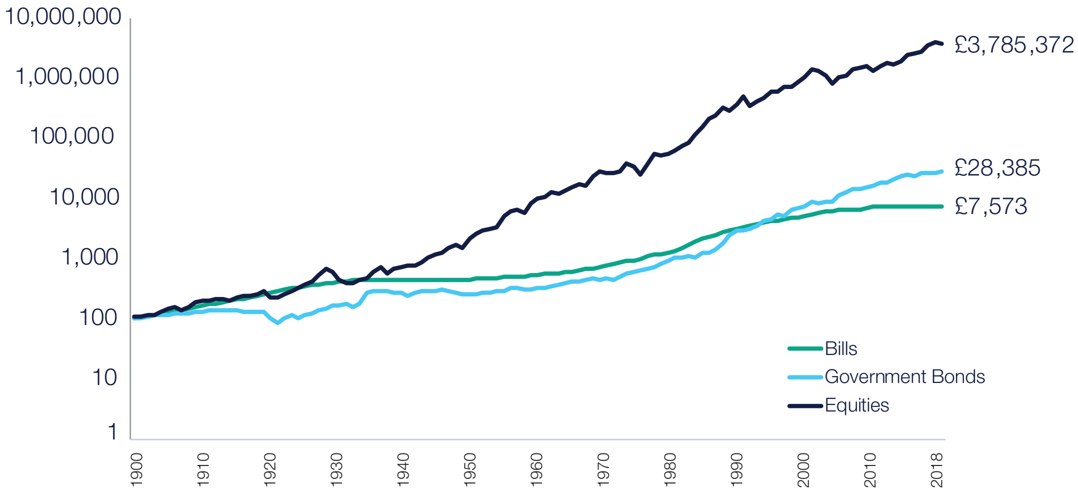
2. Compounding – time is everything

Compounding is extremely powerful when it comes to investing. Albert Einstein apparently described it as the eighth wonder of the world. It is, simply, earning returns on your returns.

For example, somebody earning a 5% return in year one would see their investments grow by a compounded return of 63% after 10 years. After 20 years, this rises to 165%, and over 25 years it balloons to 239%. This demonstrates the cumulative effects that compounding has on capital.

3. Investing typically beats cash

Savings accounts typically struggle to keep pace with inflation, seeing savers lose value in 'real' terms. In the graph below, bills are short dated bonds which give an indication of what returns on cash might have been.



Returns are in nominal sterling terms, are annualised and gross income is reinvested during the period 1900 to 2018 based on a £100 initial investment.

Source: E Dimson, PR Marsh and M Staunton, Global Investment Returns Database 2019 (distributed by Morningstar Inc). Indices are described in E Dimson, PR Marsh, and M Staunton, Credit Suisse Global Investment Returns Yearbook 2019 (available from London Business School).

If you are prepared to accept the risk that comes with investing, and have time on your side, you give your wealth the greatest chance of growing and beating inflation over the long term.

4. You benefit from diversification

Our portfolios are well diversified. This means that your investments (and risk) is spread across different assets, across the globe – including equities, bonds and cash.

Different assets typically will not react in the same way to sudden economic shocks, so a combination will limit how much your portfolio ebbs and flows in value. Over time, this reduces the impact of volatile periods on your investments' overall performance.

The value of investments and any income from them can fall and you may get back less than you invested.

Past performance is not a guide to future performance.

No investment is suitable in all cases and if you have any doubts as to an investment's suitability then you should contact us.

The information above is believed to be reliable and accurate, but without further investigation cannot be warranted as to accuracy or completeness.