
Principles of Investing

Power of Reinvesting

1990–2009

\$10k

Compound annual return

- Bonds with reinvestment 8.2%
- Bonds without reinvestment 2.0
- Stocks with reinvestment 8.2
- Stocks without reinvestment 5.9

1k

800

1990

1993

1996

1999

2002

2005

2008

\$4,872

\$4,843

\$3,155

\$1,480

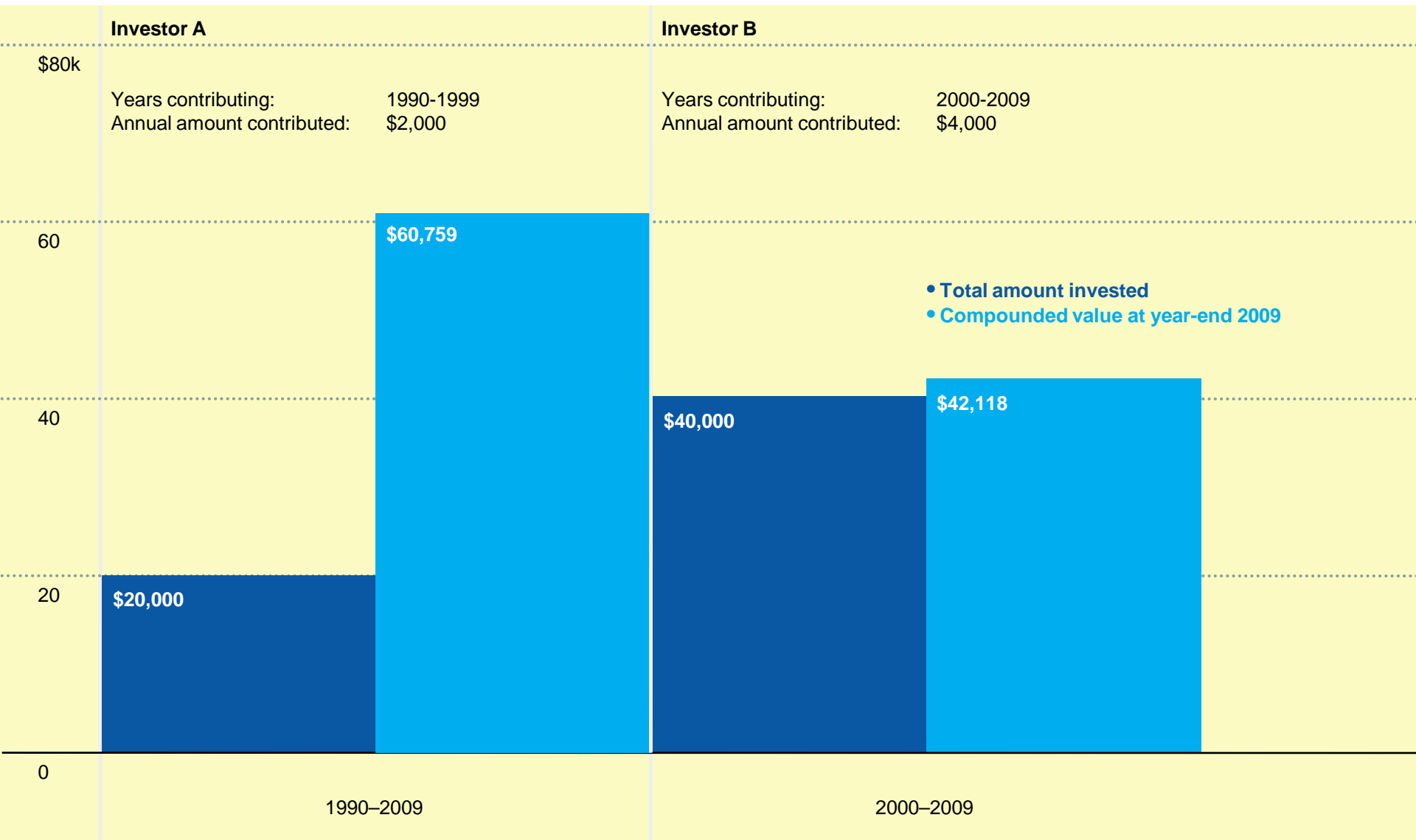
Past performance is no guarantee of future results. Hypothetical value of \$1,000 invested at the beginning of 1990. Data does not account for taxes or transaction costs. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. © 2010 Morningstar. All Rights Reserved. 3/1/2010

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Power of Compounding

Hypothetical investment in stocks



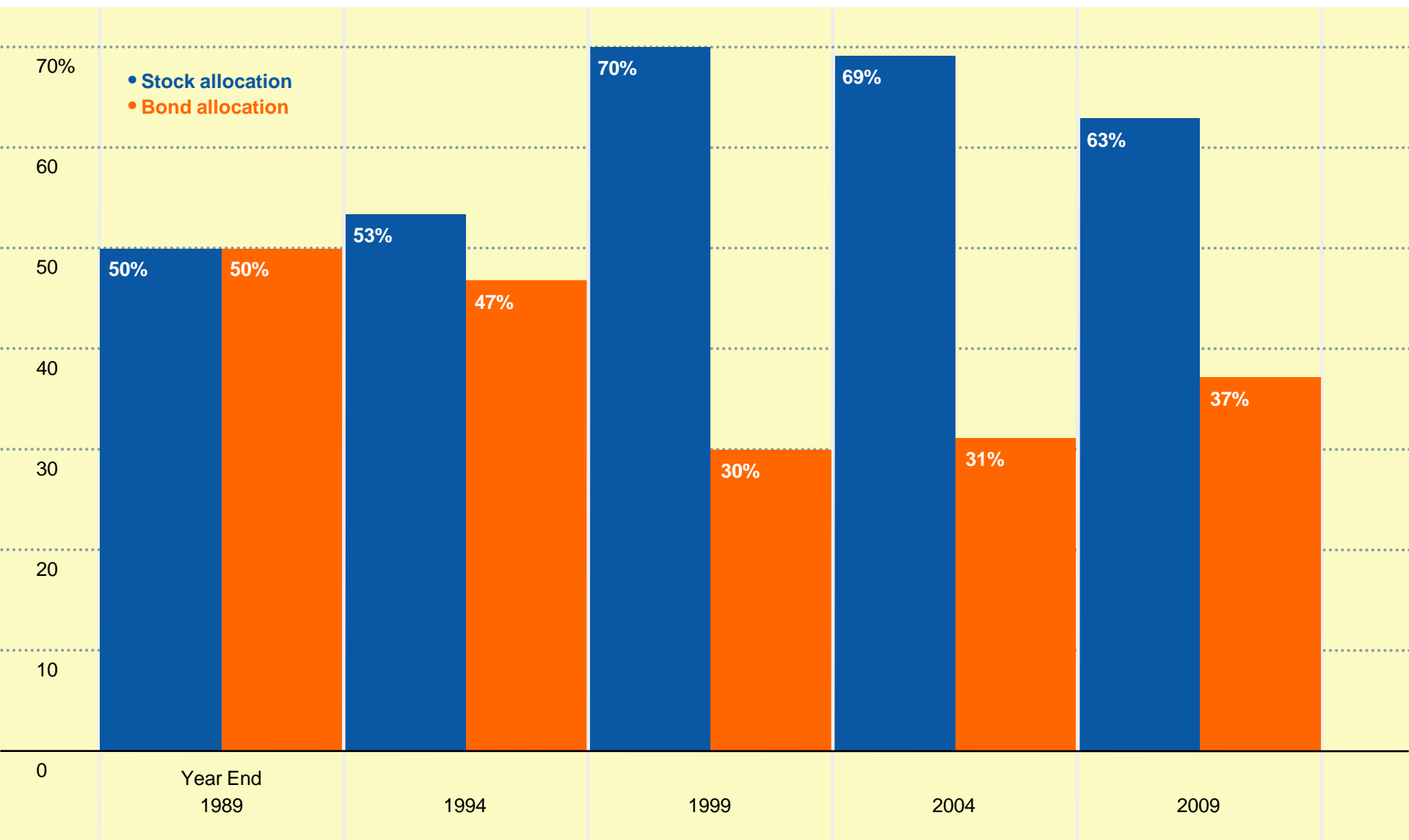
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Importance of Rebalancing

1989–2009



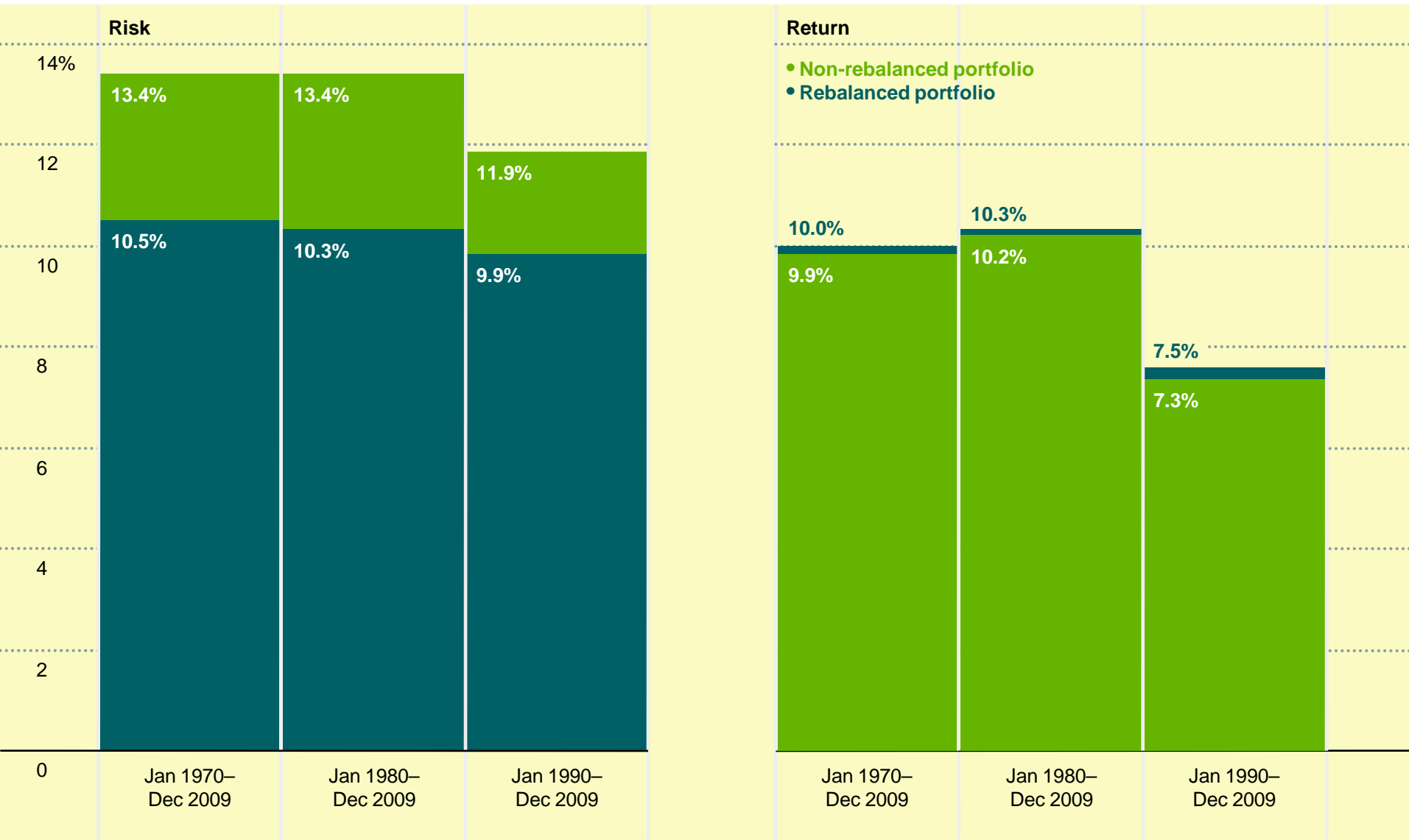
Past performance is no guarantee of future results. Stocks: 50% large and 50% small stocks. Bonds: intermediate-term government bonds. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. © 2010 Morningstar. All Rights Reserved. 3/1/2010





Controlling Risk With Portfolio Rebalancing

The risk and return of rebalanced versus non-rebalanced portfolios



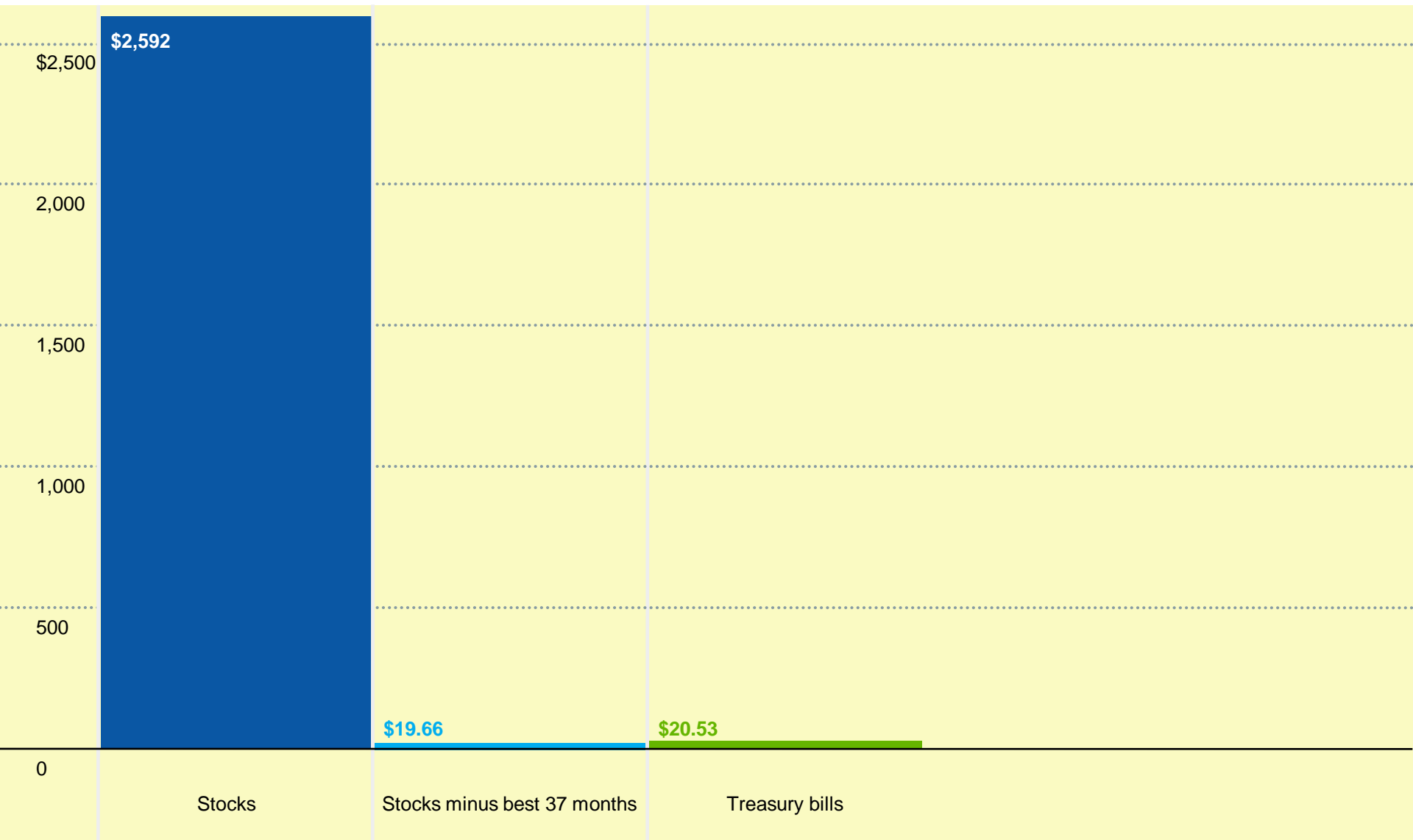
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Dangers of Market Timing

Hypothetical value of \$1 invested from 1926–2009



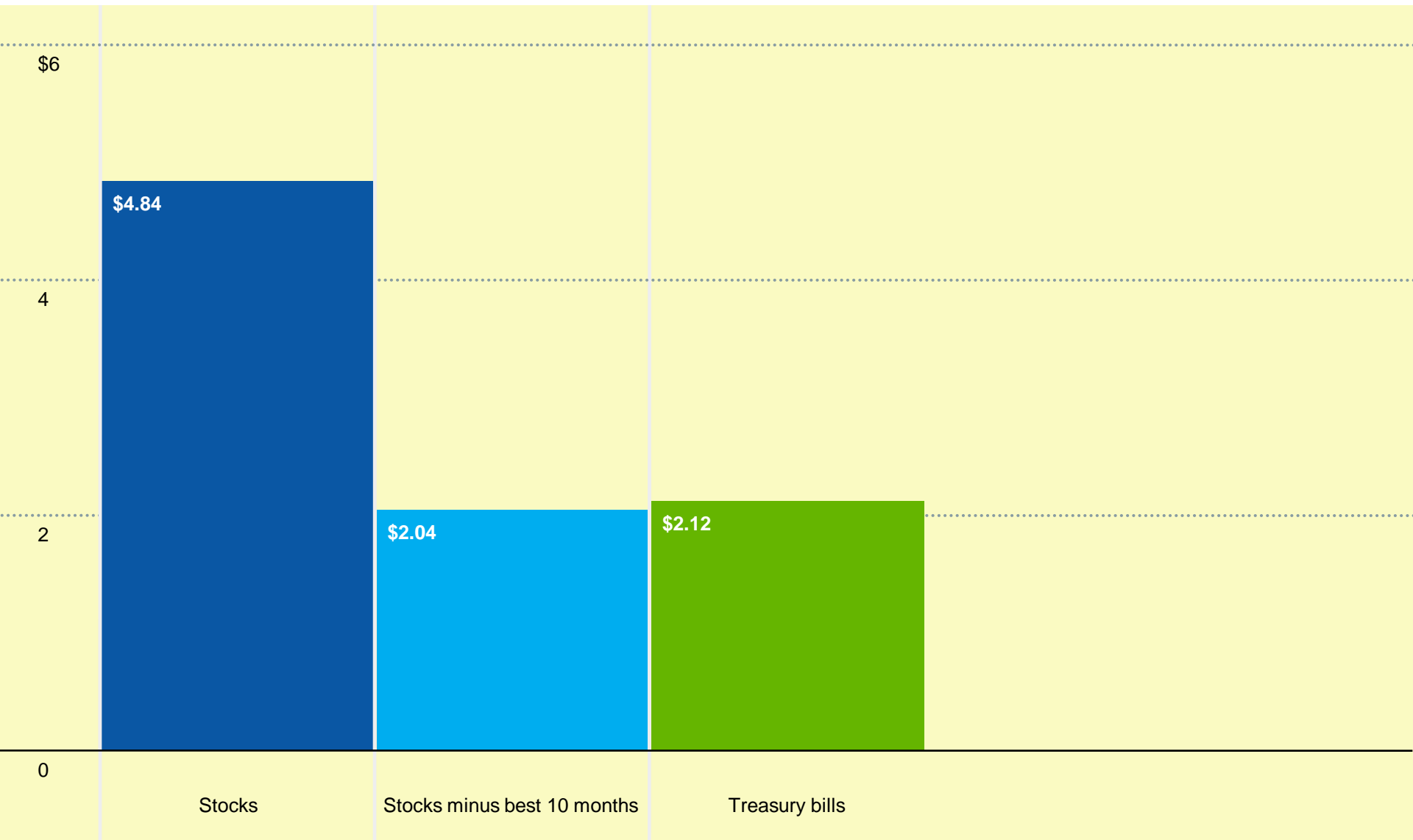
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Dangers of Market Timing

Hypothetical value of \$1 invested from 1990–2009



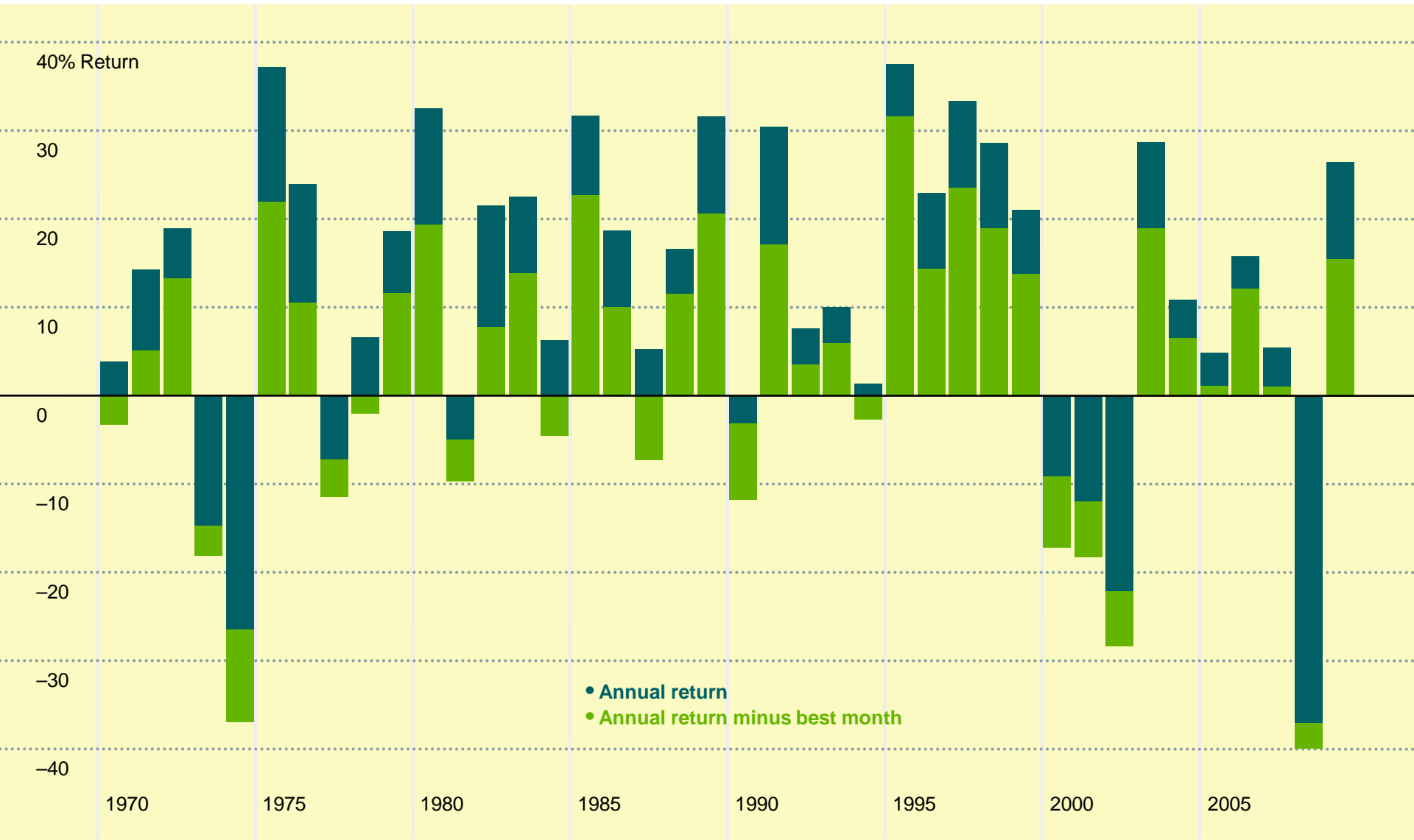
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Market-Timing Risk

The effects of missing the best month of annual returns 1970–2009

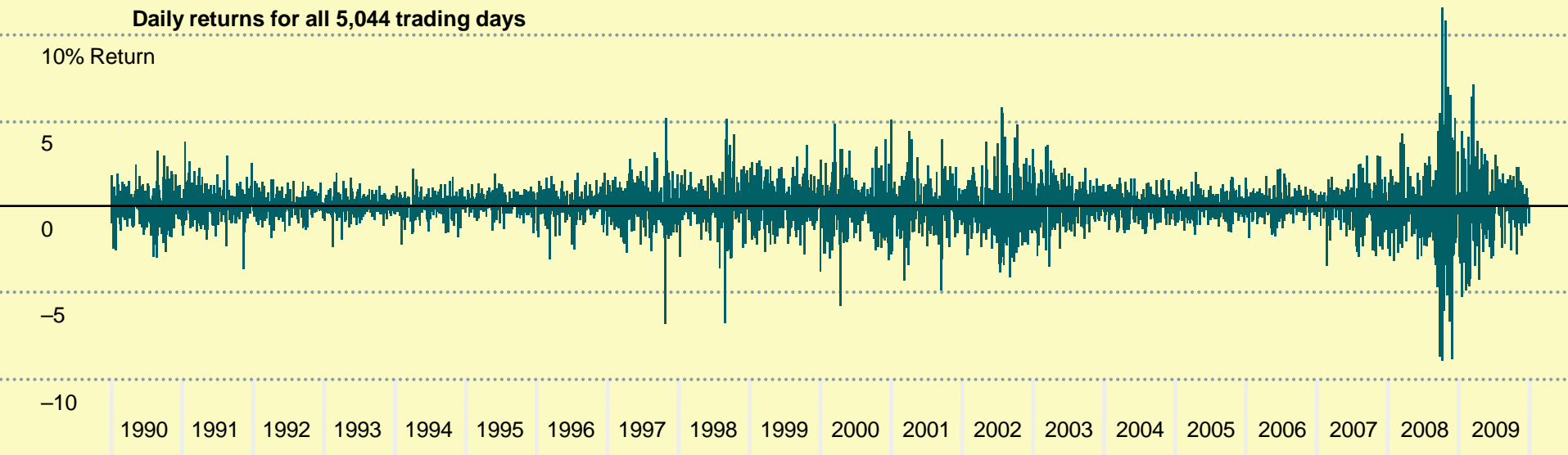
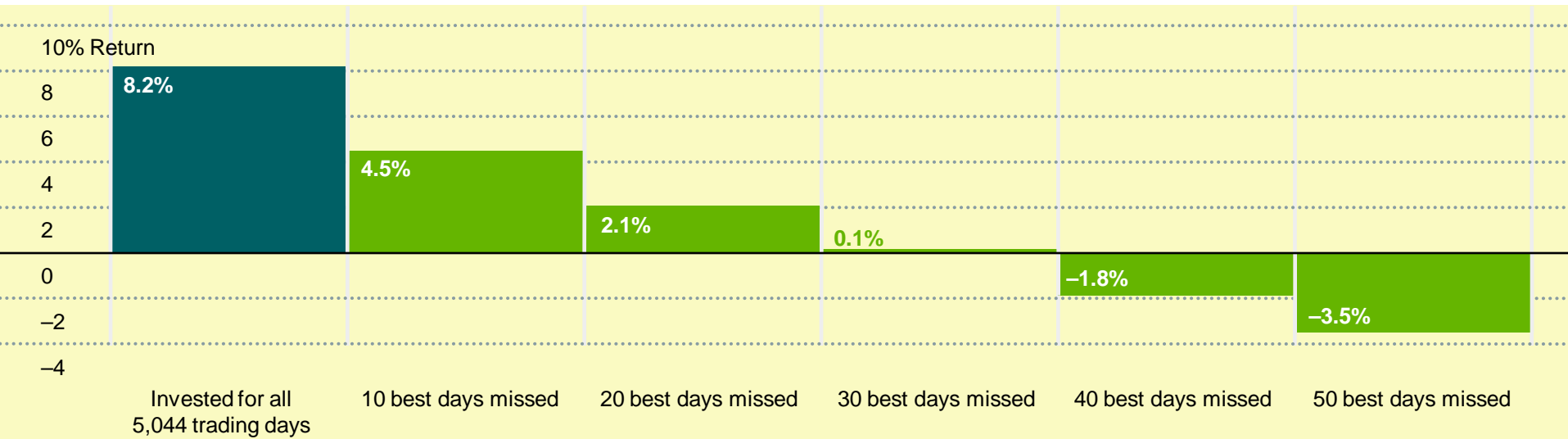


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The Cost of Market Timing

Risk of missing the best days in the market 1990–2009



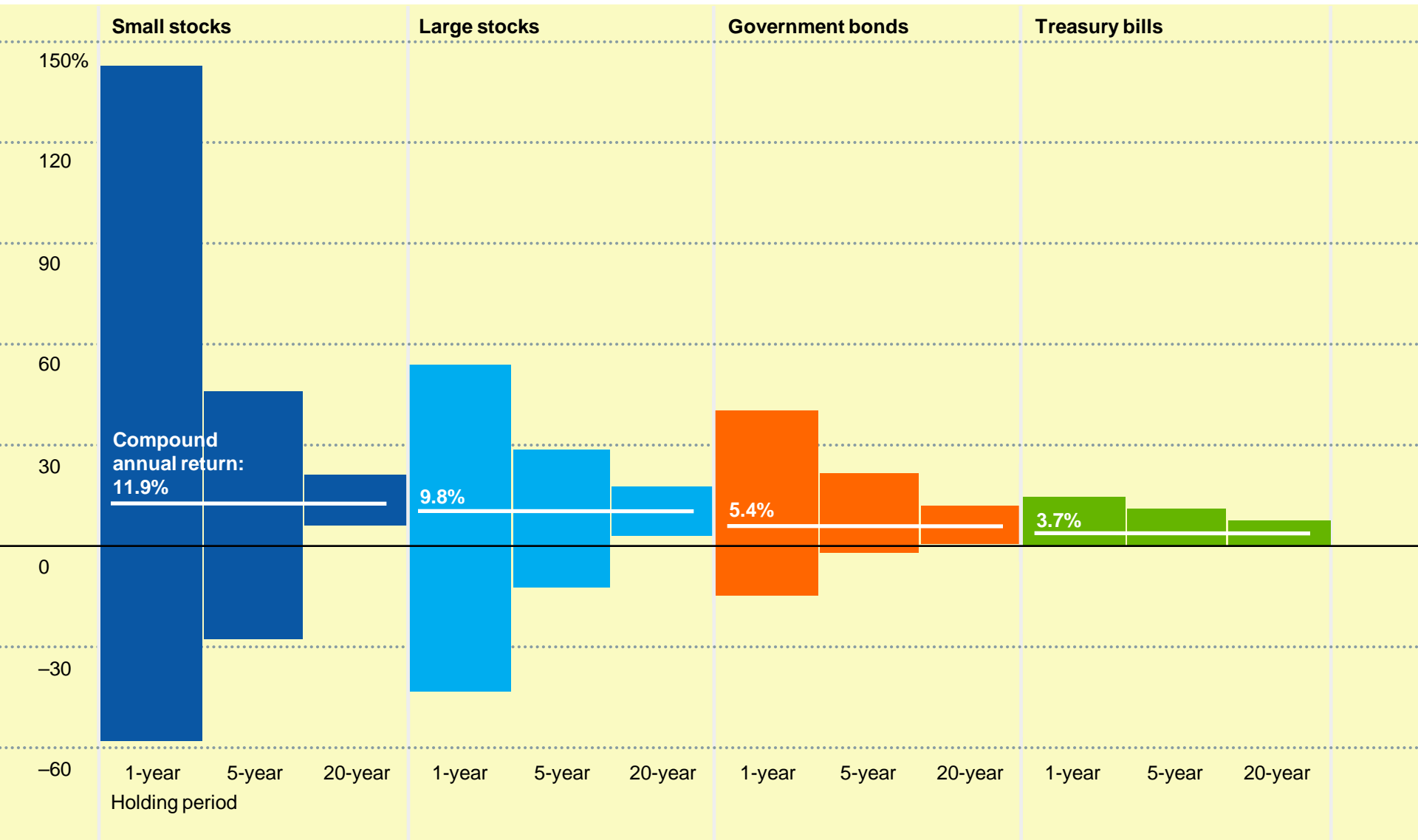
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Reduction of Risk Over Time

1926–2009



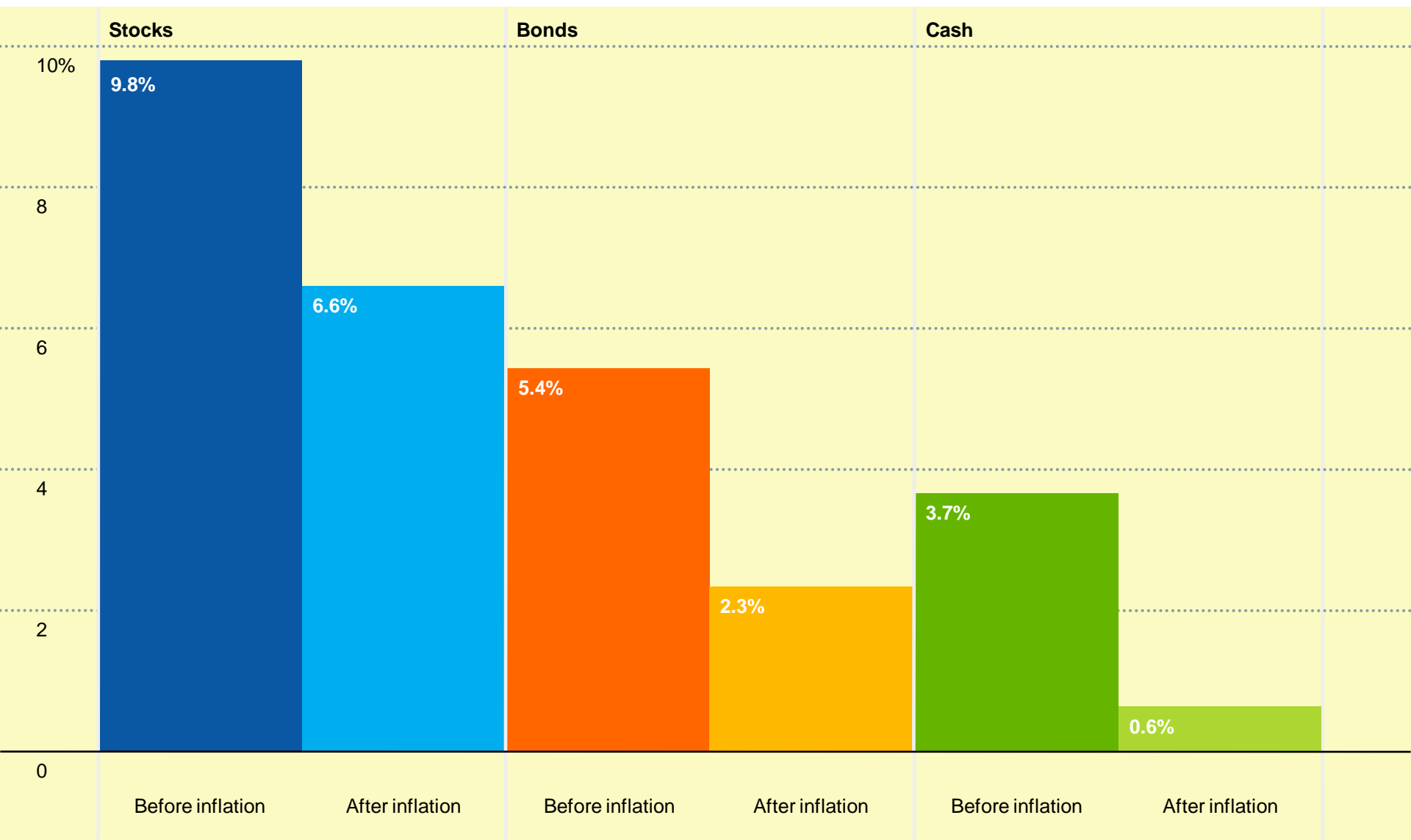
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Returns Before and After Inflation

1926–2009

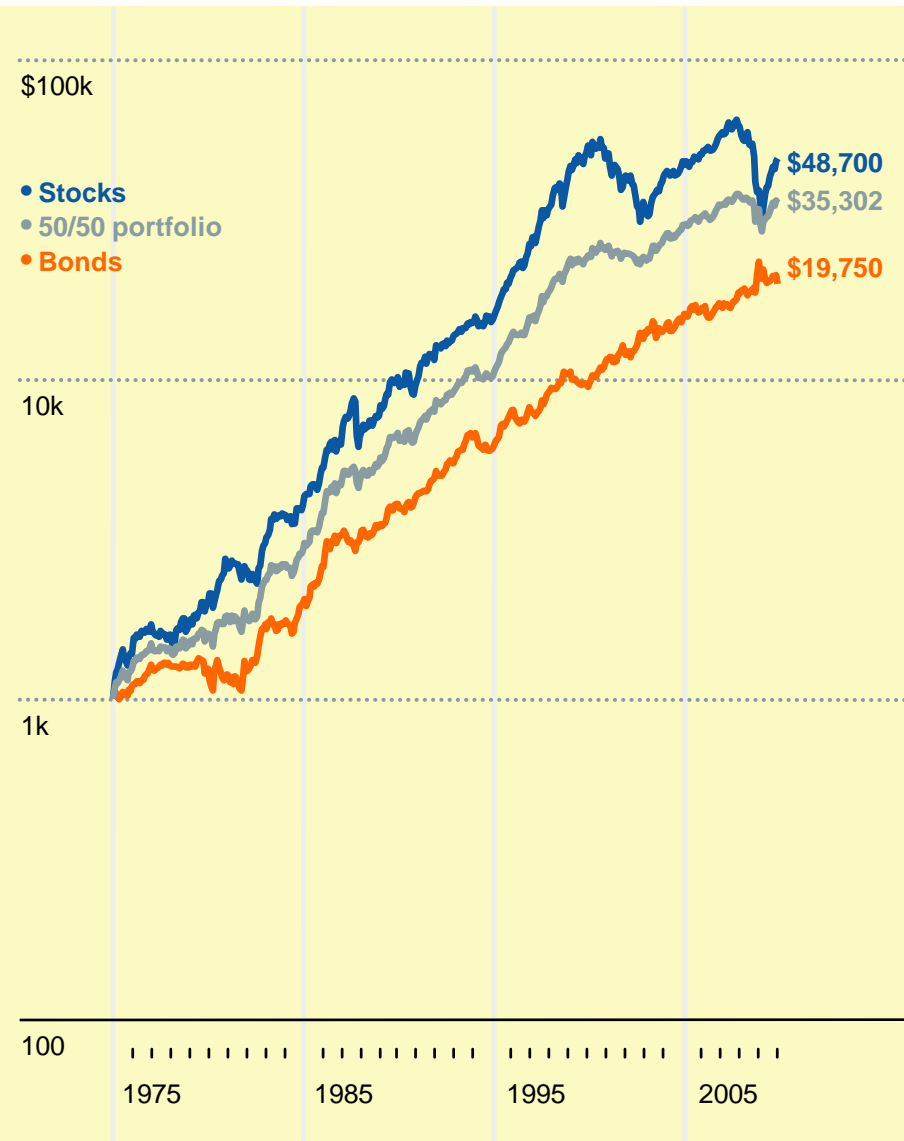
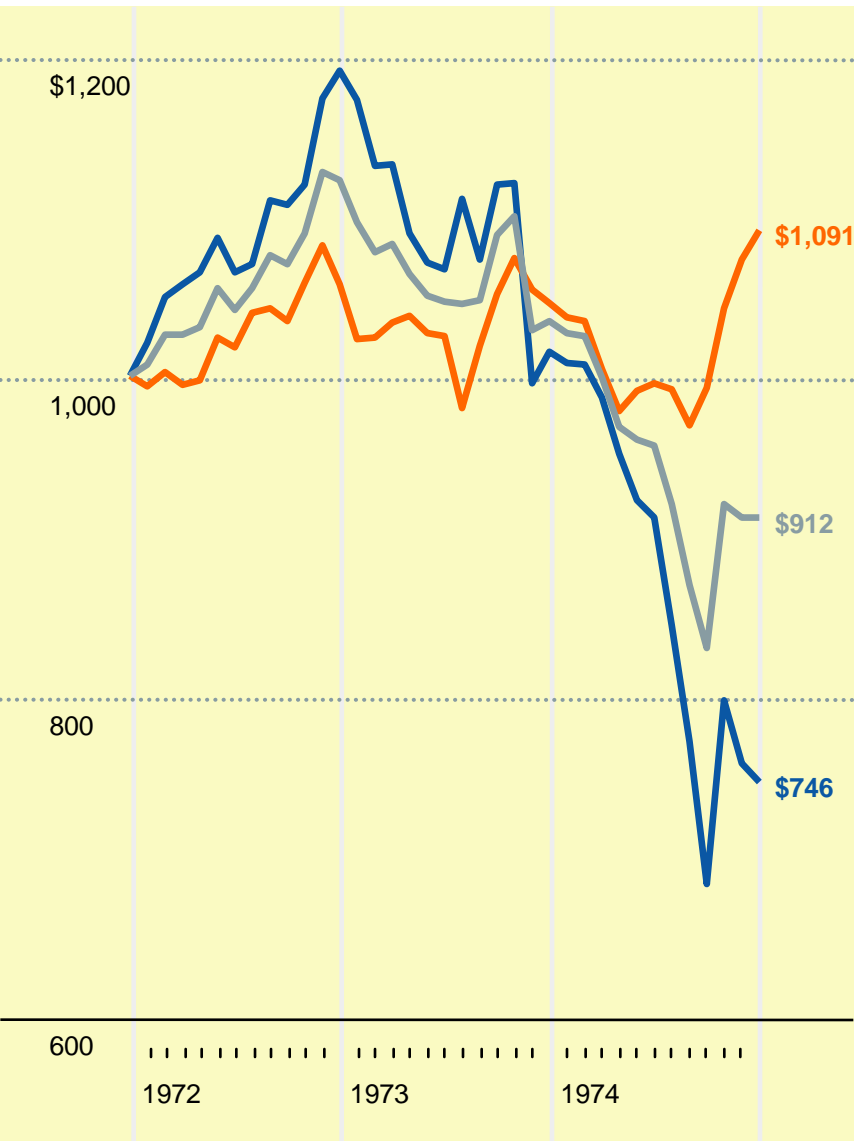


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Can You Stay on Track?



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