

The Power of Patience - Transcript

Tom Mullooly: In episode 174 we talk about the power behind compounding. It's a little thing called patience. Stick around.

Welcome to the Mullooly Asset Show. I'm your host, Tom Mullooly, and this is episode number 174. Thanks for tuning in.

I was speaking with a gentleman recently about his account, he was getting a little frustrated because he didn't feel that his retirement account at work was growing fast enough for him. He said, "Hey, I've been maxing out my contributions for years and years, 13 years, and that should be about \$200,000, and the account's worth about \$170,000. I must be doing something wrong." I said, "Look, let's look at the numbers." The actual contributions, so far, and you can usually find this on a website, for this gentleman, it was \$125,000. He was way off. The current value of his account is \$195,000. So his response was, "Yeah, but that's still about a 50% return in just six years. That's like 8% or 9%. That's lousy." The actual returns were 10 point something percent a year, but, here's the point that we want to make with this.

If you've got \$25,000, and your account grows by 10%, it's \$2,500, that's the return that you make. If you have \$200,000, and you make 10%, that's about \$20,000. A lot of times it just takes a while to get to these kind of levels. Incidentally, in the past year, 2019, this particular gentleman who I was speaking with made over \$41,000 in his account. That's not contributions, that's the actual returns that he made in his retirement account at work.

The lesson is, compounding really does work if, if you're patient, and you continue to stuff money into that account. That's really important. See, a lot of folks think that investing is like planting a seed. I'm going to give you \$2,000, I want a Redwood tree next week, or next month.

It's more important when you're getting started with an account to just focus on socking money away consistently into that account and not get hung up on the returns. It's very hard to do because we live in a crazy world where everybody wants to know what the market's doing today, what's my account doing today? We're so micro-focused right now and that's really misguided. If you continue to plant seeds, meaning, put money away every year for retirement, just keep putting it away and don't look. If you keep doing that consistently, patiently, you're not going to have one tree, you're going to have a forest when you're ready to retire.

I think everybody's familiar with the name Warren Buffet. The old guy. He's turning 89 this year. He's worth approximately \$89 billion. And people say, "I'm never going to have that kind of money." You have to understand something. This is where compounding really gets displayed very well. Warren Buffet made his first billion dollars at age 56. He had already been investing for 30 years. He didn't get his first billion until age 56, and now that billion has grown to 89 billion.

Investing does work. Compounding really does work. But compounding only works if you have some patience.

That's the message for episode 174. Thanks for tuning in. See you on the next one.