

# Speculation vs. Steady Compounding

Quick – which would you rather have? The double digit returns of speculating in stocks and bonds or the steady compounding of a guaranteed rate fixed annuity?

Be careful, it a trick question!

The following tables illustrate that steady compounding can result in a return which is often comparable to the stock market, without stock market risk to principal. The annuity may not be as exciting, but it accomplishes the long-term goal of a consistent, predictable real return.

Of course, we all know that, in the long run, stocks will likely outperform the annuity. But for clients at or near retirement age, one bad year can be the difference between a comfortable retirement and one filled with worry.

## Which One Produces the Largest Amount? \$100,000 Deposit

Year	Speculation	\$ 100,000.00	Steady Compounding	\$ 100,000.00
1	8.00%	\$ 108,000.00	5.00%	\$ 105,000.00
2	21.00%	\$ 130,680.00	5.00%	\$ 110,250.00
3	10.00%	\$ 143,748.00	5.00%	\$ 115,762.50
4	-17.00%	\$ 119,311.00	5.00%	\$ 121,550.63
5	6.00%	\$ 126,469.00	5.00%	\$ 127,628.16
6	-6.00%	\$ 118,881.00	5.00%	\$ 134,009.56
7	19.00%	\$ 141,468.39	5.00%	\$ 140,710.04
8	-9.00%	\$ 128,736.23	5.00%	\$ 147,745.54
9	10.00%	\$ 141,609.86	5.00%	\$ 155,132.82
10	13.00%	\$ 168,475.00	5.00%	\$ 162,889.46
	4.81%	\$ 160,019.14	5.00%	\$ 162,889.46