HARTFORDFUNDS
Our benchmark is the investor.®

Time (in the Market) Is of the Essence

AS A YOUNG PROFESSIONAL, YOU'RE FACED WITH CONFLICTING FINANCIAL PRIORITIES AS YOU START YOUR CAREER: budgeting to cover rent and living expenses, paying off student loans, and trying to save whatever's left—for both fun and a rainy day. Retirement can seem so far away that it's tempting to put off saving for it until you feel more established. However, this goes against a main tenet of investing: Time in the market matters more than how much you invest.

Consider this: Growing your retirement nest egg isn't unlike growing a veggie garden. You plant small seeds, give them water and time in the sun, and by the end of the season you should have healthy plants that give you fresh produce. But if you start planting late, you can't just water the seeds more frequently for them to grow enough—they need time to grow.

Time Is (Literally) Money

The power of compounding has a similar effect on your investments. Compound interest can help grow money faster because it's the interest earned on your initial principal *and* any previously accumulated gains and interest. That's why starting early, even with a smaller initial principal, can be far more beneficial than investing a larger amount later on.

For example, as **FIGURE 1** on page 2 shows, a 23-year old who starts by investing $2,500 for five years, then $5,000 for five years, and $10,000 for another five could be a millionaire by age 63. This early-starter would only need to contribute $87,500 over the course of 15 years to reach the million-dollar mark.

By contrast, **FIGURE 2** shows a mid-career professional who saves $10,000 a year for 25 years, beginning at age 40. This investor would grow his or her wealth significantly, but would have to invest about 3x the principal of the early starter ($260,000 vs $87,500) and wouldn't hit the million-dollar mark until age 67.

Key Points

- Compound interest is a powerful investment tool that can help grow your money faster.
- With the power of compounding, investing even a small initial principal can be far more beneficial than investing a larger amount later.
- How long you stay invested also plays an important role in investing success.

FIGURE 1

An Investor Who Starts Early Could Grow $87,500 into $1 Million by Age 63

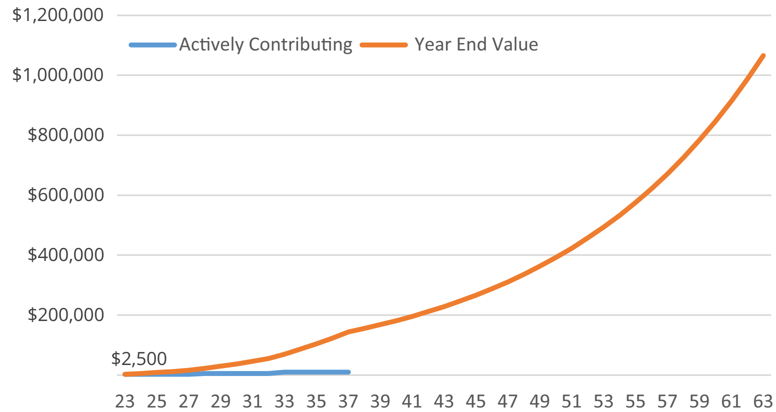


FIGURE 2

An Investor Who Begins at Age 40 Would Have to Invest 3x More ($260,000) to Reach $1 Million by Age 67

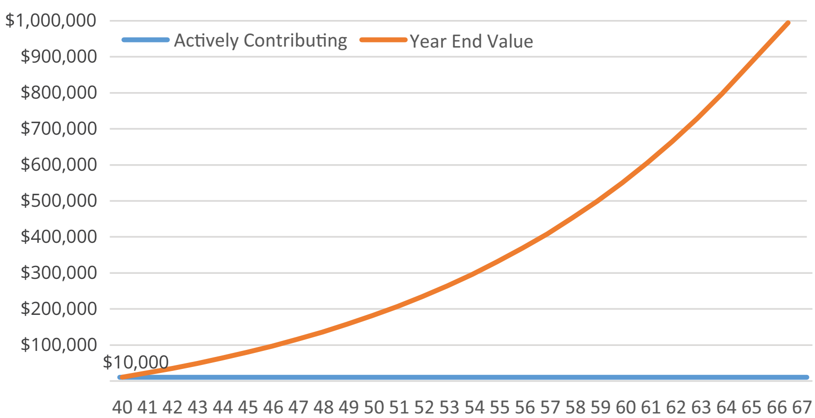


Figure 1 uses a $2,500 initial investment, and Figure 2 uses a $10,000 initial investment. Both scenarios use a hypothetical 8% return and do not take into account taxes, transaction costs, or market declines, and use a combination of IRA and company-sponsored 401(k) contributions. For illustrative purposes only. The illustration doesn't represent any particular investment, nor does it account for inflation.

The amount you invest can be less important than when you start investing.

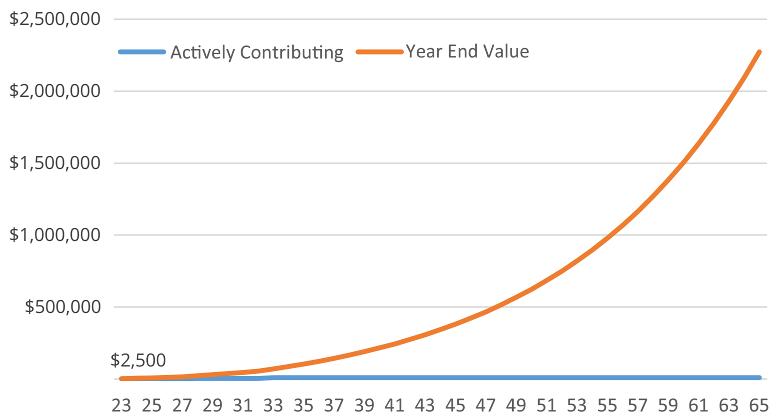
Not a Matter of Winning or Losing

It's important to note that starting to invest early doesn't guarantee success, and that starting late doesn't mean you've failed. Both investors in these hypothetical scenarios reach the million-dollar mark, they just do so at different times and with different outlays. The main takeaway is that *the amount* you invest can be less important than *when* you start investing.

How long you stay invested is also an important factor. The scenarios in **FIGURES 1** and **2** illustrate that starting early can give you a big leg up on your nest egg, even if you only invest for 15 years. But why stop there? **FIGURE 3** shows how much more a young investor's money could grow with continuous contributions (totaling $367,500) over the course of a career. Between an early start and steady contributions, investors who start young could be multimillionaires by retirement.

FIGURE 3

An Investor Who Starts Early and Invests $367,500 Throughout Career Could Be a Multimillionaire By Retirement



Scenario uses a hypothetical 8% return on a $2,500 initial investment ($2,500 for five years, $5,000 for the next five years, then $10,000 thereafter) and does not take into account taxes, transaction costs, or market declines. Investor in this example is using a combination of IRA and company-sponsored 401(k) contributions. For illustrative purposes only. The illustration doesn't represent any particular investment, nor does it account for inflation.

With the power of compounding, less money can be significantly more in the long run.

Start Simple

If $2,500 seems like a lot to invest on your salary, keep in mind that it doesn't have to all come out of your pocket. Many companies provide a 401(k) match to help employees save. Contributing enough to meet the full amount of your company's match is a smart way to maximize your savings, especially when you may not feel you can afford to invest very much.

Saving for retirement is a long-term journey, and even a small contribution can add up over time. This is why as a young investor, you shouldn't sell yourself short: With the power of compounding, less can be significantly more in the long run.

A financial professional can help you juggle all of your financial priorities and get your retirement savings started.

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