

Way & Way Investment Advisors

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Eighth Wonder of the World

The miracle of compound returns refers to the powerful and exponential way money grows over time. Some believe Einstein called it “the most powerful force in the universe.” Whether he said it or not, the truth behind the idea is profound.

Compounding means earning returns not just on your original investment, but also on the returns it has already generated. Over time, this creates a snowball effect—your money earns money, and then that money earns more.

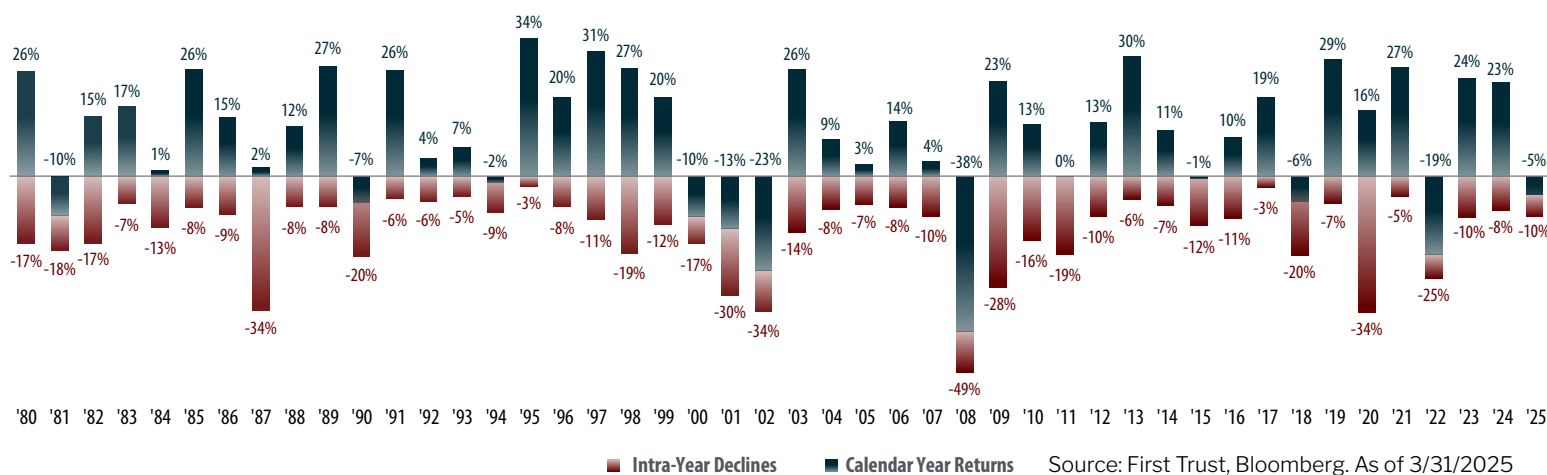
However, compounding only works if left alone. Interruptions—like panic selling, market timing, or chasing trends—can sabotage decades of growth. Patience is the key.

It is not about timing the market, but time in the market. One strategy builds wealth. The other breeds regret.

Consider the recent April 2025 decline: the S&P 500 dropped nearly 6% after China’s tariffs—then surged 9.5% five days later. The S&P 500 also capped off its strongest May since 1990. Those who sold to “wait things out” missed a swift rebound. That is the risk and futility of trying to time the market—you can easily miss the best days while trying to avoid the worst.

Since the '90s, we have endured dot-com crashes, 9/11, the 2008 crisis, COVID, and more. Yet the equity market has continued to climb. The only real question is: can you stay invested when it seems like the sky is falling?

It helps when you understand that volatility and market declines are normal.



The chart above illustrates the calendar year returns of the S&P 500 as well as the intra-year decline during each year. The S&P 500 has experienced a correction that has averaged 14% annually dating back to 1980. Historically, the stock market has trended upward over time. However, sharp pullbacks within any given year have been a frequent occurrence.

Market declines are inevitable. By recognizing volatility for what it is, we can resist the urge to sell and, when appropriate, take advantage of the opportunity to invest more at lower prices.

Quote of the Month

“The first rule of compounding is to never interrupt it unnecessarily.” - Charlie Munger

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The S&P 500 is a stock market index tracking the stock performance of 500 of the largest companies listed on stock exchanges in the United States. Indexes are unmanaged and cannot be invested in directly.