

Simplified by Cowrywise

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Dear Young Nigerian, Time May No Longer Be On Your Side

Introduction

I am sure you have heard this statement before - either in passing, from a friend, or even from a motivational speaker; that time waits for no one; the school of thought that believes time is an unstoppable law of nature, and that time will continue to march on no matter what we do. It's a statement that is evergreen and applies to anything of significance. Luckily, it is a law we advise you to take advantage of, especially regarding your financial future.



If you are young, of working age, gainfully employed, running a business or side hustle, and earning an income, this report is for you.

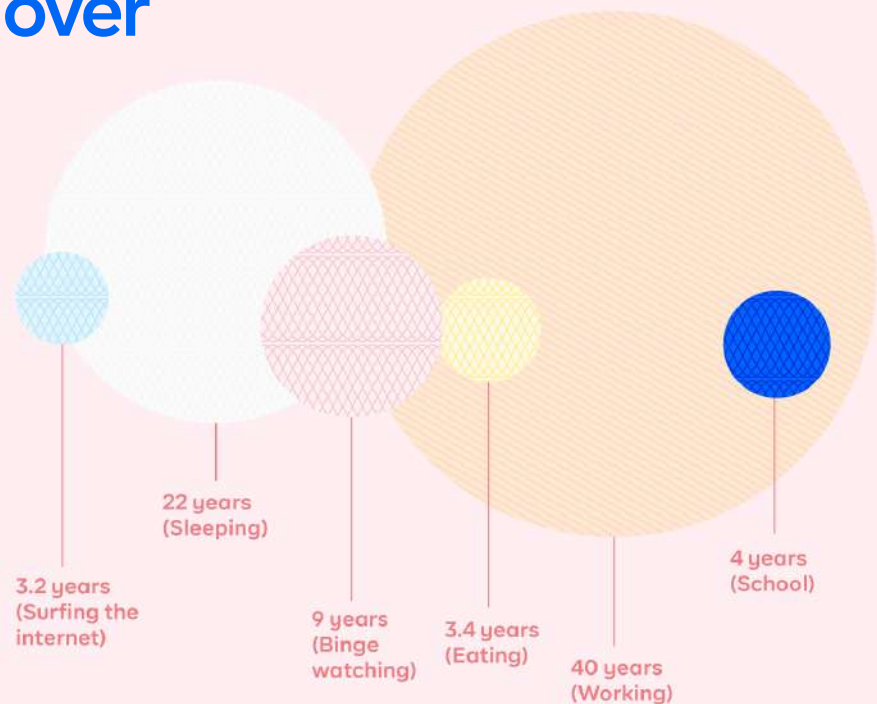
The best time to have started investing was yesterday

The best time to have started investing was yesterday - that's the old law. The best time to have started investing, depending on your age, was at least 10 years ago. But, before we dive into it, let's give you some perspective.

By the time you finish reading this article, depending on how fast you read, and how many times you read it to digest it, 5-10 minutes would have gone by. You've probably spent a couple of hours in traffic today, and a few more in pointless or hopefully productive meetings. You have most likely spent four years (or more depending on ASUU) in University; plus countless hours studying, reading, and hustling in between. There's a high chance you entered the workforce in your early to mid-twenties (or you are about to) and will spend the next 90,000 hours or about 40 years of your adult life working to make a living (if all goes well and you retire at 60). That is more than 70% of the current life expectancy in Nigeria, which is 55.75 years. This doesn't take into account the 3.4 years you will spend eating, 22 years sleeping (which is typically 1/3 of the avg. lifetime), 3.2 years you will spend online, and 9 years that will pass by while you watch your favourite series. This is assuming you live till you are 70 or 80, even though the current life expectancy in Nigeria is 55.75 years.

The question is: What has your money been doing all this time?

Time spent over an average lifetime



The takeout: Live your life, and do the things you love while your money works for you.

Time **is** actually money

Another phrase you are most likely familiar with. But, the idiom has always been used as a piece of advice - to encourage people to actively spend their time pursuing ventures that could earn them money. The interesting thing about investing and the beauty of compounding is that you can accomplish the same thing without lifting a finger.

For instance, If you invest NGN100,000 to earn 10% in 1 year, you will have NGN110,000 in total. That is, NGN100,000 + NGN10,000 (interest). With compound interest, in the second year, you'll earn 10% on NGN110,000 and not just the NGN100,000. You get the picture, right? Great. Let's dig deeper.

While it's easy for young people to put off investing till a later time, it's not advisable. Waiting months or years till you become financially stable to kick off your investment journey robs you of the chance to start early and is likely not going to provide any meaningful benefit. Investing is about playing the long game. The longer you have your money invested, the more likely you can maximize the impact of compounding to reap long-term gains.

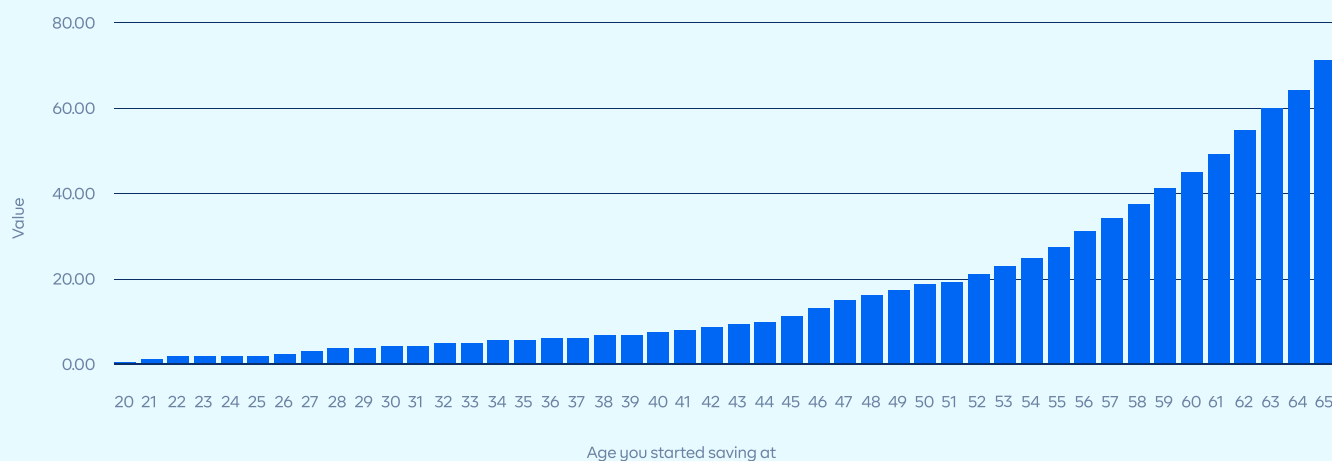
The benefits and returns on your investments will differ depending on your initial capital and when you started investing. Let's look at this from 3 different scenarios to give you a better picture. Each scenario is quite similar; the age of retirement, the initial investment, and an interest rate of 10% per annum are the same. The only difference is the age they started investing which will greatly impact the results as you are about to see, so pay attention.

Scenario 1 - Mr. Cowrywise

Mr. Cowrywise, as he is fondly called, is an 18-year-old, 200L student of Finance. His peers say he's a money whiz and is wise beyond his years. His father is a businessman and he's learnt the fundamentals of building wealth from him. He lives frugally and has numerous side gigs. He had saved his first million by the time he clocked 20 and decided to invest it.

He invested the entire sum in a mutual fund, (a low-risk investment vehicle that earns you returns over time), for a 45-year period, ensuring the dividends were reinvested. At a 10% interest rate per annum, and thanks to the power of compounding, Mr. Cowrywise's initial 1 million Naira investment would have grown in value to about 72.89 million Naira by the time he retires at 65; enough to take care of himself and sip margaritas on the beach.

The value of N1 million by age 65 starting at age 20



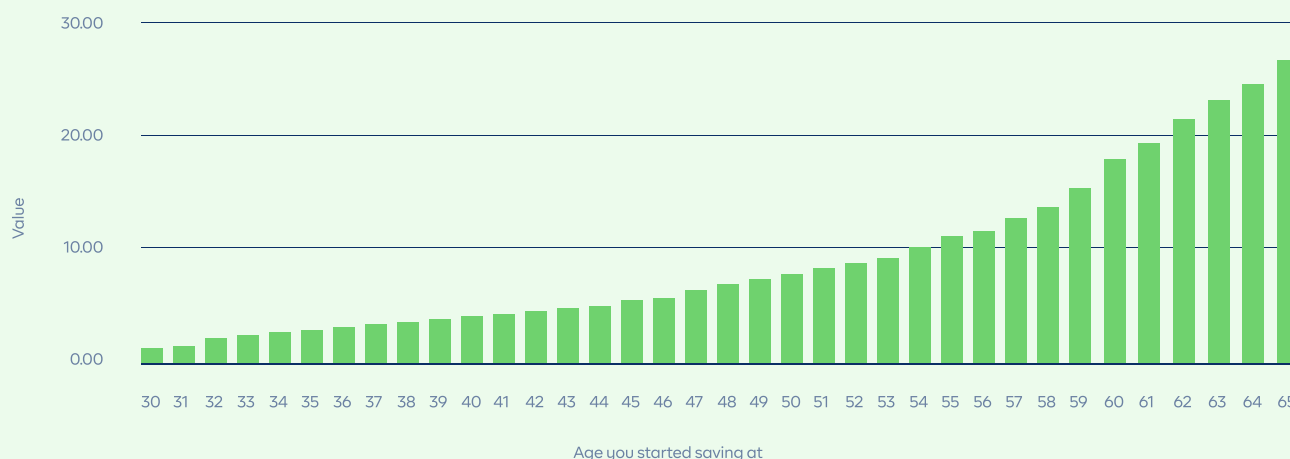
Let's take a look at how Mrs. Moneywise is faring in our next scenario.

Scenario 2 - Mrs. Moneywise

Mrs. Moneywise just celebrated her 30th birthday a couple of days ago, and it gave her time to reflect on her life and accomplishments. She's worked at one of the top FMCG firms since she graduated a few years ago, and got married the year before. She became interested in investing a while back and had been saving periodically. She took N500,000 which she had saved and added another N500,000 which she received from a few friends as a cash gift.

She invested the entire sum at a 10% interest rate per annum, with instructions to reinvest the dividends. By the time Mrs. Moneywise retires at 65 (the same age Mr. Cowrywise will retire), her 1 million Naira investment would have grown to about 28 million Naira. Not bad for passive income!

The value of ₦1 million by age 65 starting at age 30



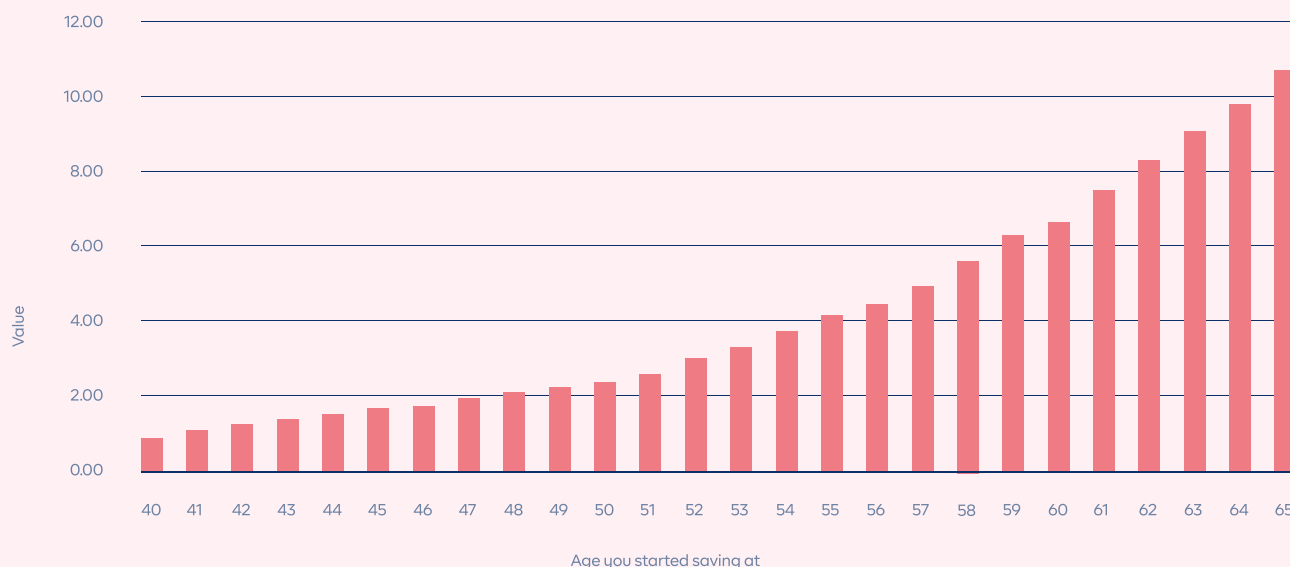
Hang on, Mr. Otherwise is next.

Scenario 3 - Mr. Otherwise

Mr. Otherwise has always been told he looks younger than his age, even though he's 40 years old. He's been a Managing Director for an Oil and Gas Company for a few months and has amassed a small fortune for himself, even though he made sure he didn't spoil his kids. His daughter, Nifemi's graduation is coming up and he's been thinking about what gift to give her. He made up his mind after he had a conversation with a friend of his, who worked with a popular wealth tech company.

He invested the sum of 1 million Naira in her name. The same rate at 10% per annum. Same instruction to reinvest the dividends. By the time Mr. Otherwise retires at 65 (25 years later), his daughter will have about 11 million Naira; the gift that keeps on giving!

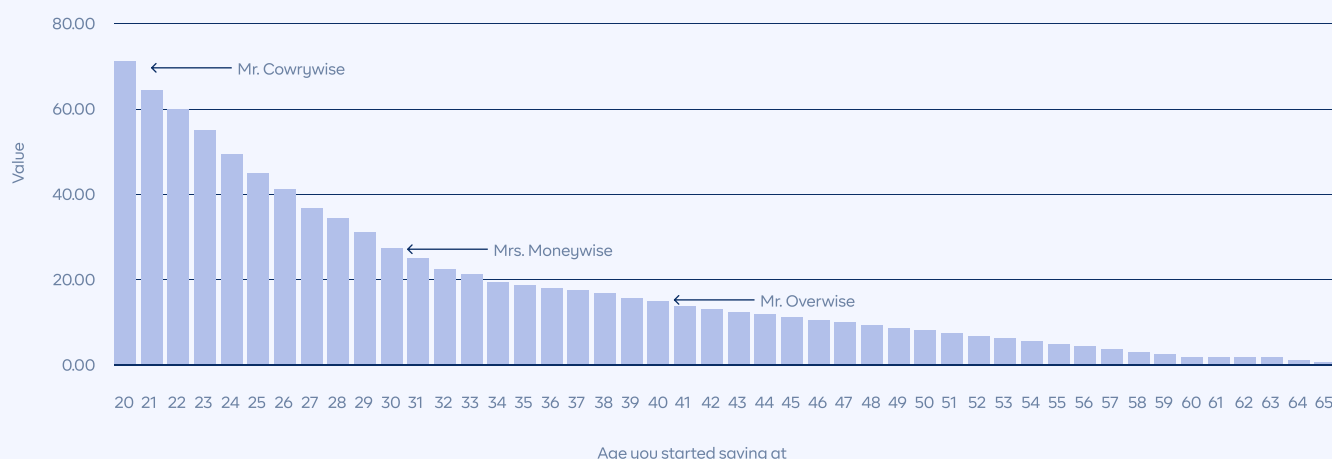
The value of £1 million by age 65 starting at age 40



3 different investors. 3 different outcomes. Time is the only difference. According to Warren Buffett, "Successful investing takes time, discipline, and patience". We agree.

We have looked at these scenarios individually. Let's look at it holistically, and we'll see that there's a world of difference between investing early and investing later in life.

The value of £1 million by age 65 starting at different ages



Starting your investment journey at 20 automatically gives you a 10-20 year headstart over someone who starts at 30 or 40 years old. The disparity between Mr. Cowrywise and Mr. Overwise is a whopping 62 million Naira. The longer you put your money to work, the more wealth it can generate over time.

I hear you saying, "But the Naira is depreciating", "I don't want to lose money", "Investing is too complicated", and "the market is volatile"...these are all forces you cannot control. What you can control is time and how you spend it. You can spend it by investing early starting today, or waiting till the time is right. From an investment standpoint, there is no 'right' time and there are numerous options available to you to help you navigate the market.

For starters, you can start investing in low-risk investment vehicles like mutual funds. Mutual funds on Cowrywise have been categorized into conservative, moderate, and aggressive risk buckets, making it easier for you to decide where and with whom to invest. Each category contains mutual funds from 9 of the biggest fund managers in the country (Stanbic IBTC, United Capital, ARM, Meristem, Lotus Capital, FSDH, Vetiva, Afrinvest, SFS, and Trustbanc), meaning you are spoilt for choice.

Not sure of your risk appetite? Check the risk assessment calculator [here](#).

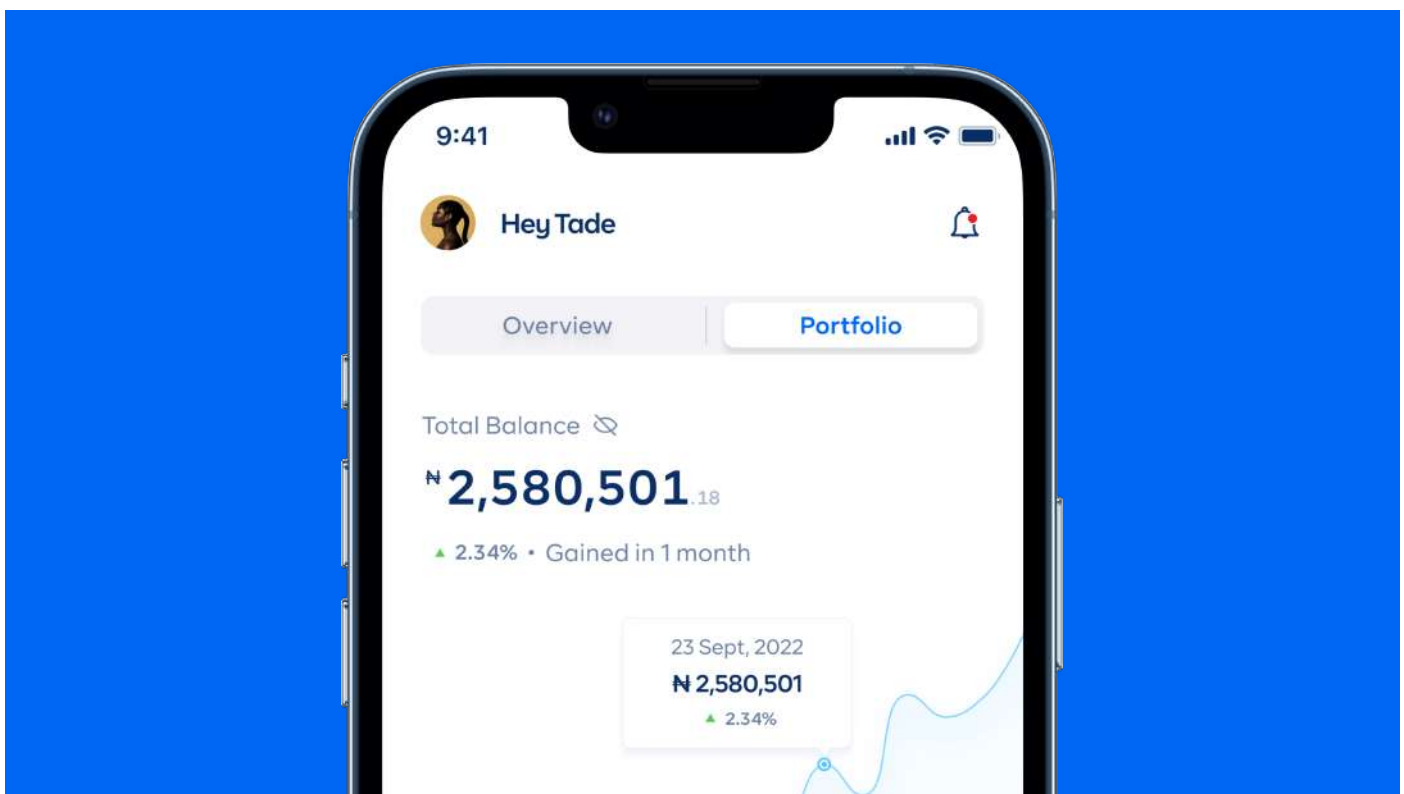
If you are concerned about the deprecation of the Naira, you can invest in dollar mutual funds which some of the aforementioned fund managers provide.

By now, the importance of investing early should be pretty clear. Now, what should you do?

Time is of the essence

Start early: Start with what you have and invest often. We'd advise at least 20% of your income should be allocated towards your saving and investment needs on a monthly basis. Investing early is a financial superpower. As we said, time waits for no one. But, it's no longer enough to wait till you have the funds, it's more important to start early. If you haven't started investing already, start today. In fact, start right now! Log in to the Cowrywise app, and purchase a mutual fund from any of our fund manager partners.

If you don't have the app, you can download it [here](#).



This isn't a piece of advice, it's an urgent appeal.

Investing early gives you enough time to build wealth throughout your working/adult life. Look at it as an exit plan from active labour.

Take advantage of compounding: If starting early is the superpower, compounding is your superhero formula or steroid. Compounding turbocharges your investment, allowing you to generate more wealth over time. It requires three key ingredients - initial capital, reinvested earnings, and time - which you can harness better if you start early.

Another thing to consider is capital appreciation, which is when the value of an asset that you own increases over time. For example, if you purchased 100 units of a mutual fund at N10/unit, and sold it 3 years later at N30/unit, you would have earned an additional N20/unit on all the units that you invested in - that's capital appreciation.

Maximize diversification: Any wise investor will tell you not to put all your eggs in one basket. And he'd be right. In order to manage risk and market volatility, it's important to diversify your portfolio by investing in different investment vehicles or different mutual funds, which are typically composed of diverse asset classes.

Final words

There's never a bad time to invest, but there's a best time to do so. Undoubtedly, the current economic situation - the impact of the subsidy removal, inflation, and the rising cost of living may mean money is harder to come by. Again, these are largely outside your control, but, time isn't, and investing early gives you an edge and the capacity to manage risks. Overall, time in the market is a lot more important than trying to time the market.

"I love the fact that with Cowrywise I can move on with my life and still invest without moving a finger. I also love the fact that I can watch my money grow every day."

- Babajide Olushola, Investing made easy.

Taking too much time tinkering through your decision to invest can mean you miss out on the opportunity to take advantage of time and compounding.

The key to unlocking wealth is to start investing early, and there's no better time than right now!

Ready to start investing? Click [here](#) to get started

