FosterDenovo
Investment Solutions

Market Briefing

September – October 2025

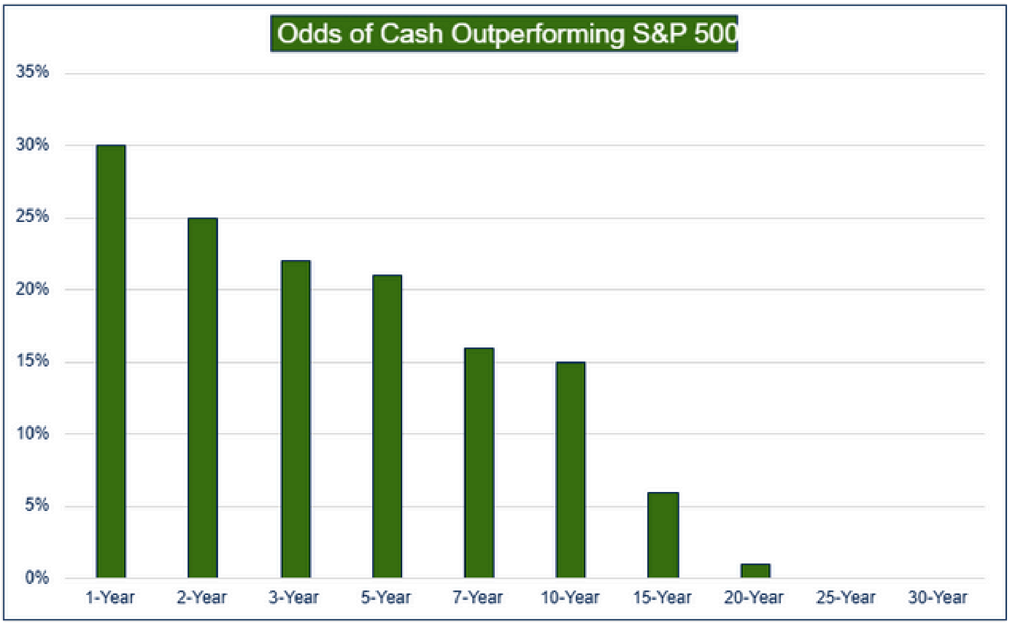
The Cost of Delay:

Why sitting on cash is riskier than you think

Are you delaying investing? Have you told yourself that you are just waiting for the 'right' time to invest? When things have 'settled down'?

This may sound fair and reasonable. Feeling cautious and a sensible approach. But is it? What's the reality? Candidly, it's likely to be one of the most expensive decisions you, as an investor, will make.

Trying to time the market might seem like a smart move – but history, data, and common sense all say the same thing: it doesn't work. And worse, it can leave you worse off than if you'd done nothing at all. Here's why delaying investing can do more damage than you think – and why getting invested (even imperfectly) is usually far better than waiting for the 'perfect time'.



The time period shows how long money was invested, and the odds show how often cash did better than the S&P 500 during those times from 1928 to 2024.

Timing the market doesn't work

Everyone wants to 'buy low and sell high'. But doing it consistently is impossible – even for investment professionals. Markets don't move in straight lines, and the best days often come when you least expect them.

As an example, take the S&P 500 – a bellwether index for the world's largest stock market by some margin – during the 20 years between 2003–2023:

- If you'd stayed fully invested in the S&P 500 for the 5,265 trading days during this period, your returns would have been around 9.8% a year.
- But if you missed the 10 best of these 5,265 days – so being invested for 5,255 of those days – your return would drop to 5.6%.
- And if you missed the 20 best days – so invested for 5,245 days – your returns would be down to 3.1%.

The "bad news"? Many of those "best days" came during periods of high volatility, not in calm markets. So, by waiting too long and trying to avoid the bumps, you will likely miss the rebounds and "best days" too. The old phase "you have to be in it to win it" springs to mind.

> *Far more money has been lost by investors trying to anticipate corrections.*
>
> *~ Peter Lynch ~*

Time in the market is more important than timing the market

We all know compounding of investment returns is powerful in achieving long-term growth. But that's only true if you give it enough time to work.
Consider this:

What's invested

- Boris invests £500/month from age 25 to 35, then stops.
- Keir waits till 35, then starts investing £500/month until 65.
- They both get the same growth of 7% per year, after costs.

The returns

- Keir ends up with just over £600,000
- Boris, who invested for just 10 years and then stopped, ends up with over £260,000

- Keir invested £180,000 with a final value of £600,000
- Effective return per £1 invested is £3.33
- Boris invested £60,000 with a final value of £260,000
- Effective return per £1 invested is £4.33

So what?

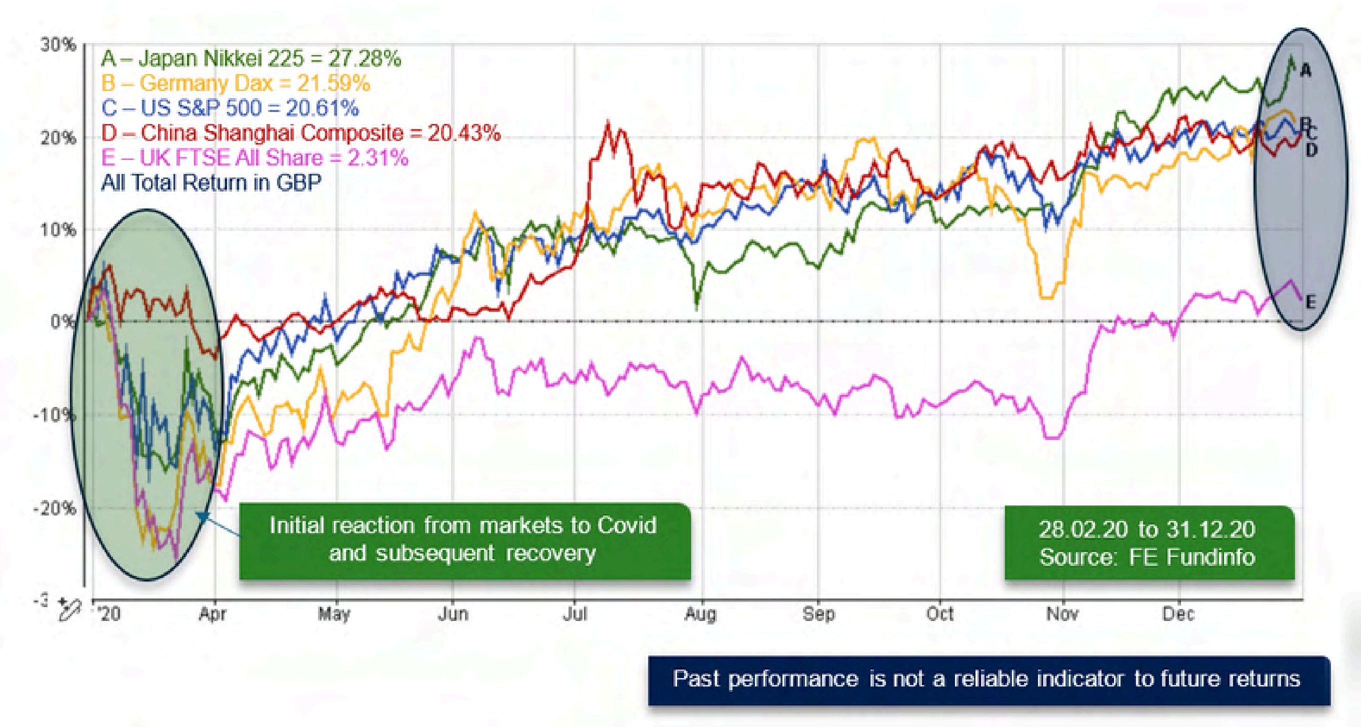
- *Keir ends up with more money … but invests three times as much to get it.*
- *Pound for pound, Boris's investment was 30% more efficient, because time in the market matters more than timing the market.*

Starting earlier allows compound investment returns to do the heavy lifting – even if contributions stop. The message? Start early. Time together with compound returns will do the heavy lifting.

Volatility is the price of admission

We can't rely on history repeating itself and past performance isn't a reliable indicator of future returns, but decade after decade, the direction is overwhelmingly up. Since 1900, equities have posted positive calendar-year returns most of the time. Even in rocky years, recoveries tend to follow sharp selloffs.

Remember 2020 and how global markets reacted to what became the first year of the pandemic? Consider the following graph:



The graph shows that even during one of the sharpest global selloffs in history (the green oval), most stock markets ended 2020 with strong gains (the blue oval). The message is clear: markets can fall hard and fast, but they can also rebound just as quickly. Investors who panicked and sold in March locked in losses; those who stayed invested benefited from the recovery. Volatility isn't just noise — it's the price you pay for long-term returns. And if you were trying to dodge volatility? You'd have missed the comeback too.

Cash is not risk-free – it's just quietly haemorrhaging value

Holding cash while you wait for the "right time" might feel safe. But it is not. Let's consider the example of instant access interest rates over the last ten years. Even with recent increases in interest rates, the average is around 1.25%. And we're using instant access as the comparison as having an account with any restrictive notice period to achieve higher return isn't a fair comparison, as the main reason for delaying investing is waiting for the right time to invest. So, a restricted notice account wouldn't enable immediate investing when the time is (theoretically) right.

Now let's consider inflation. If it ran at 4% (and it's been much higher recently), a £10,000 amount sitting in cash for ten years would now only be worth around £6,670 in real purchasing terms. That's a third of your purchasing power, evaporated.

That's an annual loss of -3.97% per year. But ten years is a long time and likely isn't fair if you're waiting for the right time to invest. So, let's consider the last three years. The annual inflation rate over the last three years in the UK has been around 5.50%, so the £10,000 would now be worth in real purchasing terms £8,440. That's an annual loss of -5.50% per year. And over a year? Assuming the last twelve months, inflation has been around 3.8%, so £10,000 is now worth £9,620 in real purchasing value.

So, although some **interest** would have been earned, it wouldn't have come close to offsetting the loss in real purchasing power. And remember — even that interest isn't fully yours. **Interest on savings** might look like "free money," but once you've used up your tax-free allowance, it's **treated as taxable income.**

Basic-rate taxpayers can earn up to £1,000 in savings interest before the taxman takes a slice, higher-rate taxpayers only get £500, and additional-rate taxpayers get no allowance at all. For instance, a higher-rate taxpayer earning £1,000 of interest could lose roughly £200 to tax (a £500 allowance, then 40% on the remaining £500), leaving even less after inflation is factored in. An additional rate tax payer would pay £450 on the £1000 of interest earned!

Rather than being a safe haven, once you account for inflation, tax, and interest rates, cash can actually be one of the riskiest investments of all. There's nothing "low risk" about watching your money quietly shrink while waiting for the mythical "right time" to invest.

Emotional investing leads to poor investing. It is widely recognised that many poor investment choices occur when emotional influences override rational decision-making. Selling in fear, buying in euphoria, panicking at headlines. That's where value is destroyed.
Having a plan, sticking to it, and ignoring the unhelpful noise isn't just good advice. It's the foundation of long-term returns.

Stick to the plan. Although the evidence regarding it can be prepared to support both a supportive and critical opinion, pound-cost averaging – buying a bit each month – takes timing off the table. You buy more when markets are down, less when they're up. Over time, it evens out and keeps you from sitting in cash too long. It also creates discipline in terms of timing and so removes the emotionality of whether to invest or not.

So, what's the best approach? Forget trying to predict the next dip, crash or rally. Instead, get invested as soon as you can, invest regularly (monthly is great – it smooths the ride), and diversify.

So what?

- *If you're still sitting on the sidelines, ask yourself:*
- *What if markets go up while I wait?*
- *What if the perfect time never comes?*
- *What's the cost of doing nothing?*

Because waiting feels safe – but it rarely is. History shows us: it's not about finding the perfect entry point. It's about being in the market when it counts. And the longer you wait, the harder it is to catch up.

KEY TAKEAWAYS

- Trying to time markets is nearly impossible – even for investment professionals
- Missing just a few of the best days can massively damage your long-term return
- Cash is quietly eroded by inflation
- Time in the market matters more than timing the market
- Regular investing smooths volatility and removes emotion and subjectivity
- Starting early gives compound growth time to work its magic
- The real risk? Doing nothing

Final thoughts

Investing isn't about finding the perfect moment. It's about starting as early as you can, staying invested through the ups and downs, and letting time do the heavy lifting. Because in the end, waiting for the right time could be the most expensive investment decision you ever make.

On this day

8 October 1990	UK entered the ERM. Sterling joined at DM 2.95/£ within the 6% band.
8 & 13 October 2008	Bank rescue package. Crisis response announced (8th); capital injections/guarantees operational (13th).
14 - 20 October 2022	Mini budget aftermath. Kwarteng sacked (14th); Hunt reverses measures (17th); Truss resigned (20th).
16 October 1551	Debasement ended. Edward VI revoked the Tudor "Great Debasement", restoring sterling-silver fineness (92.5%) .
19 - 20 October 1987	Black Monday (UK impact). FTSE 100 fell ~10.8% on the 19th and ~12% on the 20th.
25 October 1847	"Week of Terror". Act suspended. Government wrote to the Bank of England suspending the Bank Charter Act to stop a banking panic.

Phone: 01932 870 720 | Email: info@fosterdenovo.com | Website: www.fosterdenovo.com MB66_071025

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