An Urge to Splurge

Indulge or invest?
Cost of various indulgence items invested in stocks, January 1991–December 2010

True costs may be higher than you realize
When choosing how to spend extra money, you may be giving up more than the price of the item you purchase. With every purchase, you lose the opportunity to invest that money for potential future growth. This is referred to as opportunity cost—the price you pay for choosing one investment over another.

Compounded over time, this price could be substantial. Examine the historical results of investing an amount equal to the cost of various indulgence items instead of actually purchasing that item.

Weigh the benefits of buying now or investing for later
The return and principal value of any investment will fluctuate and may be worth more or less than the original cost when redeemed. However, it is evident from the image above that the greater the purchase price, the more costly it became to splurge and ignore the growth potential of that money. For example, $20,000 invested in stocks (as opposed to kitchen remodeling) in 1991 would have grown to $115,022 by year-end 2010.

When making a purchase, consider all the opportunities for your money and weigh the benefits of investing for greater potential purchasing power in the future instead of spending now.

Keep in mind that an investment cannot be made directly in an index, and past performance is no guarantee of future results. This is for illustrative purposes only and not indicative of any investment. The data assumes reinvestment of all income and does not account for taxes or transaction costs. Returns and principal invested in stocks are not guaranteed.

Source: Stocks are represented by the Standard & Poor’s 500®, which is an unmanaged group of securities and considered to be representative of the stock market in general. The S&P 500 returned 9.1% (compound annual return) during the 1991–2010 time period.