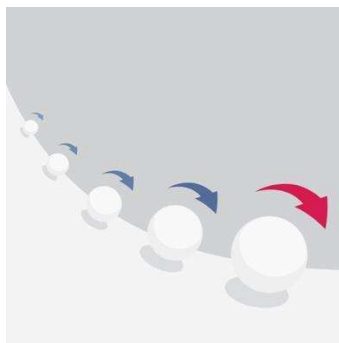


How Time and Behavior Shape Your Financial Future

On a notepad, somewhere, is a list you keep titled “Financial To-Dos,” with tasks like reviewing your retirement plan, making sense of your investments, or for some, finding someone to help you navigate it all. Somehow these tasks slide easily from one month to the next, and the truth is most people have at least one financial task they have put off for some time. Why? When the consequences feel distant, waiting rarely carries an immediate penalty. While this sliding is common, it points to a central question: what changes when you look at a financial decision over decades rather than months? This article explores how time shapes our financial plans through compounding, financial planning, and behavioral science.

Why Time Matters

Compounding is a financial concept in which investment earnings are reinvested to generate additional returns over time. This means that your investment can grow through both the returns on your initial investment and the returns earned on previous gains. [1] A common analogy used to explain compounding is that of a snowball rolling downhill. At the beginning, each additional layer of snow makes little difference, but as the snowball grows, it has more snow to gather along the way. Compounding follows a similar principle, although investment returns fluctuate.



The math is straightforward:

$$\text{Future Value} = \text{Initial Investment} \times (1 + \text{Rate of Return})^n$$

Here, n is the number of periods over which growth occurs, so time is part of the equation itself. The same assumed rate of return, applied over different periods, can produce very different results.

While compounding may be a familiar concept to most, understanding its longer-term implications on your financial life may not be as intuitive and doesn't always make it easy to act in our own long-term interests. That's where our behavior comes into play.

What Research Says About Consistency

Research points to a similar pattern in planning. A study by the National Bureau of Economic Research found that people who planned for retirement accumulated substantially more wealth than those who did not. The researchers also found that planning behavior helped explain significant differences in savings outcomes. [3] That raises a question: how much of financial preparedness comes down to what people earn, and how much to how they approach decisions over time?

Working with an advisor may be part of that answer; research has found an association between financial advice and higher household wealth. [4] This is because a financial plan is not a one-time exercise when working with an advisor. Instead, advisors can provide structure for ongoing conversations as circumstances change and keep your finances grounded in a long-term plan for your benefit. Continuing to revisit that plan as circumstances change is extremely important: the questions people face at 25 may look very different from those at 45 or 65.

The Behavioral Side

Behavioral science adds another layer: even when we understand our options, emotions and habits can influence our choices. A few common tendencies help explain why: [5]

- **Present bias:** We tend to favor what feels good now over what may benefit us later, which can make saving for retirement feel less pressing than spending money on something we can enjoy today.
- **Mental accounting:** We tend to treat money differently depending on where it comes from. A tax refund, for example, might feel like a bonus rather than part of our overall financial resources.
- **The endowment effect:** We tend to place greater value on things we already own, making it harder to reassess a familiar investment holding.
- **Loss aversion:** Research suggests that people often feel losses more intensely than equivalent gains, which can make it harder to maintain perspective when markets fall. [6]

These tendencies are normal. Knowing about a bias does not make us immune to it. Recognizing these tendencies, however, can help us better understand the decisions we make and the habits that shape our financial future. A few simple practices can help:

- **Pause before acting.** When a financial decision feels urgent, take time to understand what's driving that urgency.
- **Consider the bigger picture.** Evaluate a decision in the context of your overall financial situation, rather than viewing it in isolation.
- **Revisit your reasoning.** Ask yourself whether your decision is based on current information and goals or on familiarity, fear, or the appeal of an immediate reward.
- **Focus on what you can control.** Market outcomes are uncertain, but your spending habits, savings decisions, and approach to financial planning are areas where you can make deliberate choices.

What Financial Advice May Offer

When financial decisions are tied to personal goals and emotions, it can be hard to assess them objectively. A financial professional can offer an outside perspective, help clients weigh decisions against their longer-term priorities, and provide a steady voice when markets are uncertain. Their expertise can also help clients make informed decisions about how to allocate their resources, manage risk, and put time to work in their favor, allowing the benefits of compounding to build over the years.

Conclusion: What Is Worth Doing Now

Returning to our central question, timing has the potential to significantly change the course of your financial plan. Time, compounding, and financial behavior are deeply interconnected. While there is no single financial approach that works for everyone, working with a financial advisor can help create a

customized approach, keep you accountable, answer some of those questions, and get those tasks off your notepad and into action.

Email Starter:

Hi [Client Name],

The decisions we make today can have a lasting impact on our financial future. I wanted to share an article on the role of time, financial habits, and long-term planning in building financial security.

Read the full article here: [Insert Link]

I hope you find it helpful as you reflect on your financial priorities and prepare for our next conversation!

Best,

[Advisor Name]

References

[1] Investopedia, Compound Interest.

[2] Lusardi, A., and Mitchell, O. S., Financial Literacy and Planning: Implications for Retirement Wellbeing, Pension Research Council, University of Pennsylvania, 2006.

[3] Lusardi, A., and Mitchell, O. S., Baby Boomer Retirement Security: The Roles of Planning, Financial Literacy, and Housing Wealth, National Bureau of Economic Research, 2006.

[4] TIAA Institute, The Value of Financial Advice, 2026.

[5] Thaler, R. H., Mental Accounting Matters, Journal of Behavioral Decision Making, 1999.

[6] Kahneman, D., and Tversky, A., Prospect Theory: An Analysis of Decision under Risk, Econometrica, 1979.

[7] Vanguard, The Emotional and Time Value of Advice, July 2025.