

Why 55% Works: One Year Compounding Plan

We often mention that achieving a long term win rate of 55% winners will make you rich. That number seems counter-intuitive given that you must have a 52.38% win rate against -110 juice just to break even. How can a little over 2.5% more wins make you rich? This article is where we explain that to you.

If you are able to pick 55% winners, then over a hundred bets you will have 55 winners and 45 losers. If you bet 1% of your bankroll on each game, then on the games you lose you lose 1% and on the games you win (assuming -110 juice) you win back 0.90909%.

$$[55 \text{ winners} \times 0.90909\%] - [45 \text{ losers} \times 1\%] = 5\%$$

Basically, if you're picking 55% winners your expectation is to make 5% on your bankroll every 100 bets. Financially, you are earning 5% interest on your bankroll, compounded every 100 bets. Meaning we are raising the amount of our bets by 5% every 100 bets to take advantage of the compounding. (We raise the bet amount by 5% - if we were betting \$1, we raise the bet to \$1.05)

Next we want to define our compounding period by time and not bets. The question, then, is how long does it take you to make 100 bets? Let's say you're a slow, methodical bettor. It takes you 3 months to make 100 bets. That gives you 4 compounding periods in a year. The financial formula for compounding interest looks like this:

$$\text{Final Value} = \text{Present Value} (1 + i)^n$$

Where i = interest rate; and n = the number of compounding periods

Using this formula, let's see how much our bankroll will grow in one year. For ease of math, let's say our present bankroll is \$100. We know our interest rate is 5% (0.05) and there are 4 compounding periods per year. Therefore:

$$\text{Final Value} = \$100(1 + (0.05))^4$$

$$\text{Final Value} = \$121.55$$

In one year you made an equivalent interest rate of 21.55% just by picking 55% winners over 100 bets every 3 months. That's a better rate of return than any Wall Street banker normally gets. At that rate you are doubling your money in under 4 years - every 4 years!

What if you are a voracious bettor and you are getting 100 bets down every month? Now you have 12 compounding periods per year, and the formula looks like this:

$$\text{Final Value} = \$100(1 + (0.05))^{12}$$

$$\text{Final Value} = \$179.59$$

That is a staggering 79.59% annual return on your investment, and you are doubling your money every 14 months.

Many novice sports bettors scoff at the notion of winning only 55% against the spread because they don't think it sounds like a very impressive number. They let their emotions dominate their thinking that manly men win 75% or more of their bets. Long term win rates like that are as fantastical as they are unnecessary. A slow, steady 55% win rate is not only realistic, but it provides all the horsepower necessary to propel your bankroll into the stratosphere.

The issue for you is how quickly can you get 100 bets down and not lose your edge. If you're able to pick 55% winners it's because you have developed an edge - an advantage. If you rush to get bets in you could easily be giving up that advantage. There's no profit to be made in doing that. Be smart and bet smart.