





What’s the difference between XIRR and CAGR?



They say performance matters when it comes to your investments. We often come across terms like XIRR or CAGR while looking at returns on your investments. Both are important ways of measuring performance but they are also technically different. So let’s dive into the difference between each one.

CAGR		XIRR
Compound Annual Growth Rate represents the average annual growth rate of an investment over a specific time period.		Extended internal Rate of return is a sophisticated way of calculating returns when there are multiple cash flows like monthly SIPs, partial withdrawals, additional lumpsum contributions.
Assumes a single investment with no withdrawals/additional investments		Reflects actual cashflow timing and amounts
It’s easy to calculate and is widely used to compare historical returns between different investment options.		It indicates the actual rate at which your money has grown, taking into account real-world investment patterns.
Best for calculating lumpsum investment return		Best for calculating SIP or multiple investments over time

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