Wealth Wellness

HOW YOUR MONEY GROWS

Time Matters

The longer your money has to compound, the bigger it will grow, which is why it's important to start saving early for retirement or other goals.

Let's say you contribute $2,000 a year to a 401(k) earning 6% a year.

Starting At	By Age 45	By Age 65
25	$77,986	$328,101
35	$27,943	$167,606
45		$77,986

Tip: Frequency matters: interest compounds annually, quarterly, or monthly. The more often compounding takes place, the faster it grows.

Tip: Save early & often to fully take advantage of compounding.

What is Compounding?

Compounding is the process in which an asset's earnings, from either capital gains or interest, are reinvested to generate additional earnings over time. Compounding can be construed as 'interest on interest' with the effect being the magnification of returns over time.

The Rule of 72

The rule of 72 is a simple way to estimate the number of years it takes an investment to double in value. It's calculated by dividing 72 by the annual rate of return. For example, if an investment has a 6% annual rate of return, it would take approximately 12 years for it to double in value (72 / 6 = 12.)

Ready for more? Visit the Learning Lab or contact any member of the FLO team.

THREE HILLS

November 2023