

Putting Time on Your Side

Did you know that money growing at 6% a year will double in about 12 years, but it will be worth four times as much in 24 years? That's because of the power of compounding.

In fact, the sooner you begin saving — even small amounts — the better your chance of reaching your retirement goals. Consider the following hypothetical example.

At the age of 25, Kristin begins putting away \$1,000 annually. She stops investing entirely after 10 years, at age 35. Jason is 45 when he begins putting away \$1,000 a year in the same investments. But he continues to save for the next 20 years, until age 65. How do the two investors fare by the time they retire? You may be surprised by the results.

Assuming a 6% average annual rate of return, Kristin's investments would have grown to over \$80,000. Assuming the same rate of return, Jason's investment would have grown to less than \$39,000.

Why the difference? Although Kristin invested one-half the amount that Jason invested, the extra years of compounding boosted her bottom line.

So what are you waiting for? The sooner you start investing and maximizing the potential power of compounding, the closer you may come to achieving your savings goals.