

Compound Interest
MIND BEND

BROUGHT TO YOU BY



- IT'S A -
**MONEY
THING®**



*“Compound interest is
the eighth wonder of the world.
He who understands it, earns it...
He who doesn’t, pays it...”*

– Albert Einstein

Compound interest =
earning interest on your interest.

It is one of the most powerful
concepts in **saving and investing**.

Over time, compound interest
accelerates your savings.

EXAMPLE

You invest **\$100** with an annual return of **5%**.

*initial deposit or
principal*

*interest
rate*

EXAMPLE

	Simple Interest	Compound Interest
<i>Initial deposit</i>	\$100	\$100.00
<i>after 1 year</i>	\$105	\$105.00
<i>after 2 years</i>	\$110	\$110.25
<i>after 3 years</i>	\$115	\$115.76
<i>after 4 years</i>	\$120	\$121.55
<i>after 5 years</i>	\$125	\$127.63

EXAMPLE

	Simple Interest		Compound Interest
<i>Initial deposit</i>	\$100	+\$5.00	\$100.00
<i>after 1 year</i>	\$105	+\$5.00	\$105.00
<i>after 2 years</i>	\$110	+\$5.00	\$110.25
<i>after 3 years</i>	\$115	+\$5.00	\$115.76
<i>after 4 years</i>	\$120	+\$5.00	\$121.55
<i>after 5 years</i>	\$125		\$127.63

same amount of interest every year

EXAMPLE

	Simple Interest		Compound Interest	
<i>Initial deposit</i>	\$100	<i>+\$5.00</i>	\$100.00	<i>+\$5.00</i>
<i>after 1 year</i>	\$105	<i>+\$5.00</i>	\$105.00	<i>+\$5.25</i>
<i>after 2 years</i>	\$110	<i>+\$5.00</i>	\$110.25	<i>+\$5.51</i>
<i>after 3 years</i>	\$115	<i>+\$5.00</i>	\$115.76	<i>+\$5.79</i>
<i>after 4 years</i>	\$120	<i>+\$5.00</i>	\$121.55	<i>+\$6.08</i>
<i>after 5 years</i>	\$125		\$127.63	

interest increases every year

How to make the most of
COMPOUND INTEREST

Start saving now.



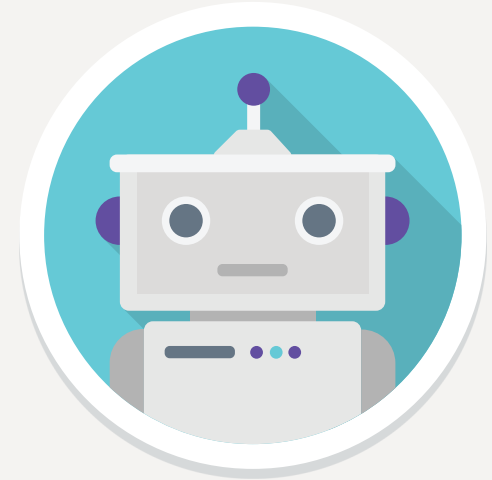
Time is a huge factor that can maximize the benefits of compound interest.

So how much difference
does a head start make?



EINSTEIN

*“There’s no time
to lose!”*



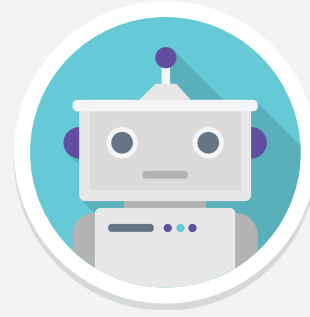
BLIPPY

*“I can always
start saving later.”*



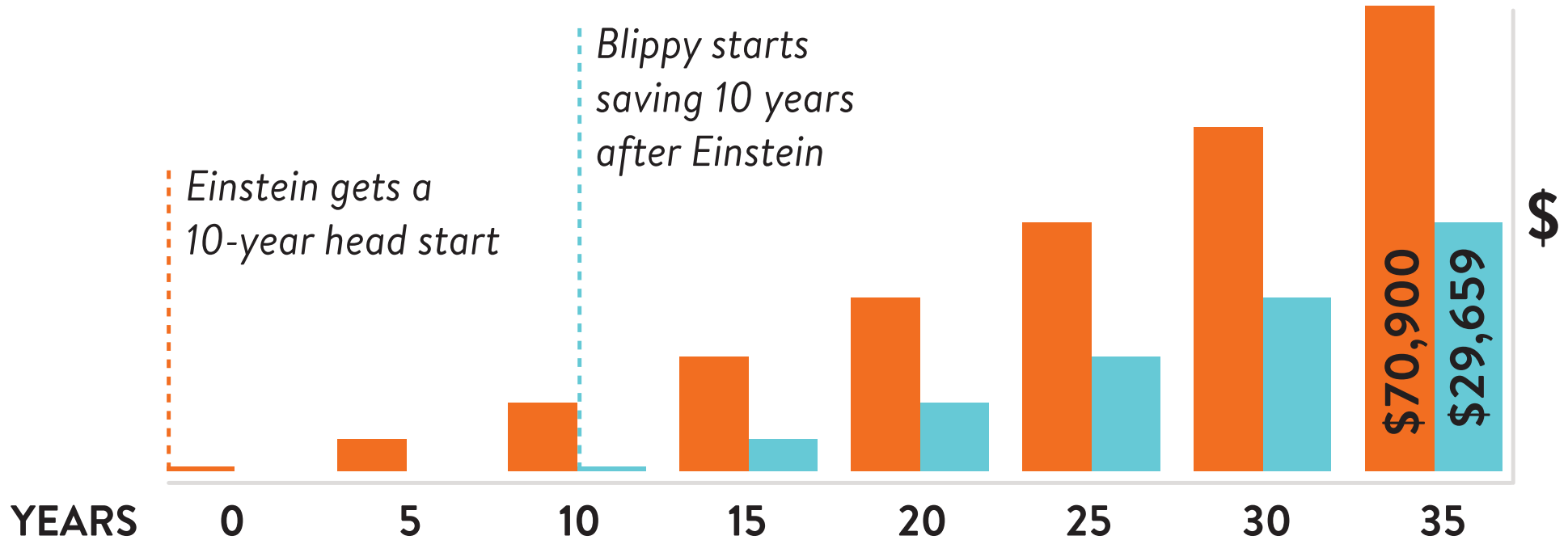
Starts saving at 25

*\$1,000 initial deposit
\$1,200 annual deposit
5% annual return*



Starts saving at 35

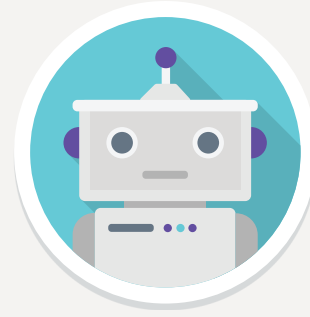
*\$1,000 initial deposit
\$1,200 annual deposit
5% annual return*





Starts saving at 25

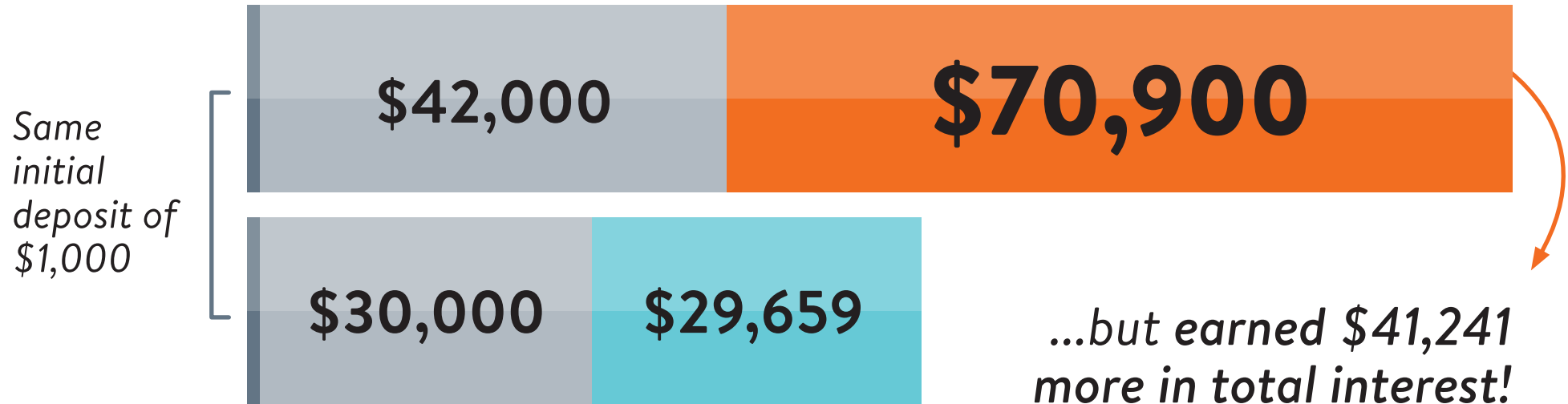
*\$1,000 initial deposit
\$1,200 annual deposit
5% annual return*



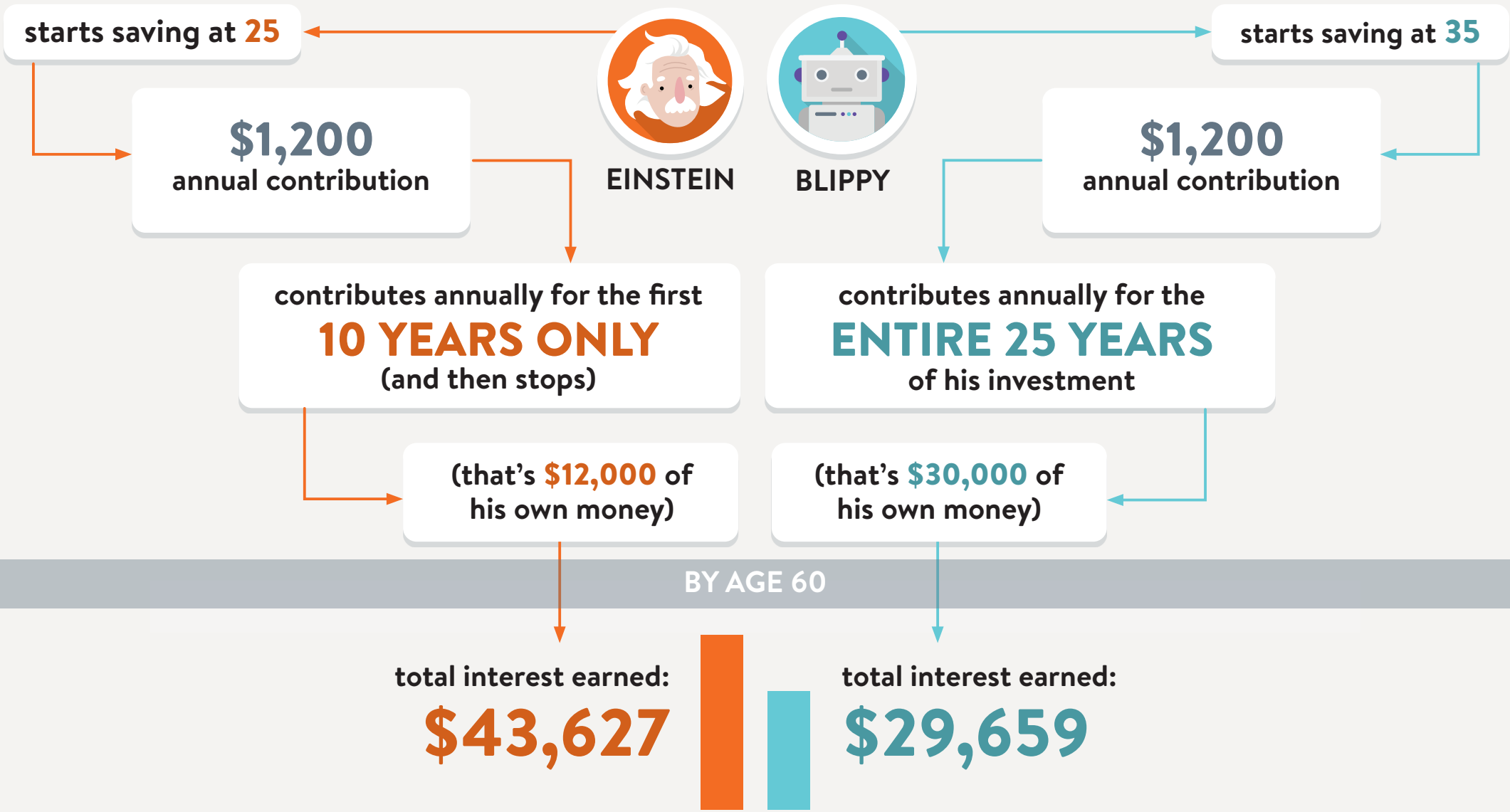
Starts saving at 35

*\$1,000 initial deposit
\$1,200 annual deposit
5% annual return*

**Einstein contributed
\$12,000 more than Blippy...**



Does starting early matter if you contribute less money overall?

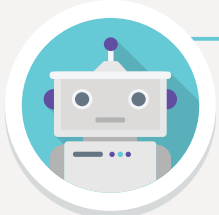


starts saving at **25**

starts saving at **35**



EINSTEIN



BLIPPY

\$1,200
annual contribution

\$1,200
annual contribution

contributes annually for the first
10 YEARS ONLY
(and then stops)

contributes annually for the
ENTIRE 25 YEARS
of his investment

(that's **\$12,000** of
his own money)

(that's **\$30,000** of
his own money)

BY AGE 60

total interest earned:
\$43,627

total interest earned:
\$29,659





Simply by starting early,
Einstein was able to **contribute**
\$18,000 less but still make almost
\$14,000 more in interest!

Bonus Tips for

COMPOUND INTEREST



Leave your money alone.

Withdrawing interest as you earn it minimizes the compounding effect.

Contribute often.

If your investment compounds monthly, small, more frequent deposits are better than larger annual deposits.



INVESTING CAN BE RISKY

**Not all investments are guaranteed—
some investments carry the risk of losing
money, even when made through a
financial advisor or financial institution**



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