



How Much Did I “Lose” When I Spent A Retirement Distribution At Age 21?

Pursestrings

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Dear {{First Names}},

When I was 21 and a sailor in Japan, I received a check for \$300, a distribution from the Federal retirement plan in which I was briefly enrolled. I spent it. But now as I look back, what did I trade off for a few days of fun and games in Yokosuka?

Had I invested the money at an after inflation rate of 6%, I would have \$4,176 today. That \$300 would have grown to 14 times its original value – in purchasing power terms as I used an after inflation rate. If I had gotten the \$300 at age 41 instead of 21, I would only have \$1,261. Instead of having 14 times my original investment, I would have just 4 times. The only difference is 20 years of investing and investment gains that are added to those of prior years. The process is called compounding.

Principle: Saving early in life reduces the strain of saving later.

Final thought: It’s never too late to start saving/investing. You will feel the benefits of cash working for you and, maybe more importantly, you will feel a greater sense of well-being.

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