



## Why Time Is Your Best Friend

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### Pursestrings

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Dear Friends,

While it's true that a penny saved is a penny earned, it is also true that a penny left to invest at 7% for 100 years is worth \$10.96. How can something so small grow into something useful when nothing is added (or taken away)? Suppose you visualize your penny (we will use \$100 to make the numbers more meaningful) as a little block that discharges little blockettes of interest every year. What you will soon see is that each little annual blockette of interest earns its own interest. The first year's blockette would be a simple \$7. The second year's interest blockette (a block for visualization, but it's added to the \$100) is worth 7% of \$107 or \$7.49. The initial block is now worth the original \$100 plus \$14.49 in interest. So the year 3 interest blockette is \$114.49 times 7% (0.07) or \$8.01. Notice how in just three years your interest has risen from \$7.00 to \$8.01? Notice how the interest keeps increasing as time goes on? Year one gives \$7, year two gives \$7.49 and year three gives \$8.01.

Now suppose that you contribute to a retirement account at \$100 a month. You are taking the money growth rate to a new level. The \$100 invested for 100 years is worth \$1,096. But \$100 plus \$100 monthly at the same 7% gives you an ending balance of \$19,197,000 (That's \$19 million)! And your total contributions? \$121,800.

### Why It's So Hard To Gain Meaningful Wealth

In the first few years money grows but it does not REALLY accelerate until about 15-20 years have passed. But don't be dismayed. Most of you will likely live between 80 and perhaps 100 years, so if you start a savings program even of modest proportions when you're in our 20's or 30's, you will amass a bundle by the time you are 70 – and if at least some of it is left invested it will continue to grow.

Real money power, then, comes from the amount initially invested, the amount periodically added, the rate of return (interest rate) and the amount of time it's left to grow (compound). So what are you waiting for?

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