

# *Compound Interest* **MIND BEND**

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- 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*

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

# EXAMPLE

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

same amount of interest every year



# EXAMPLE

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

*interest increases every year*

*How to make the most of*  
**COMPOUND INTEREST**

**Start saving now.**



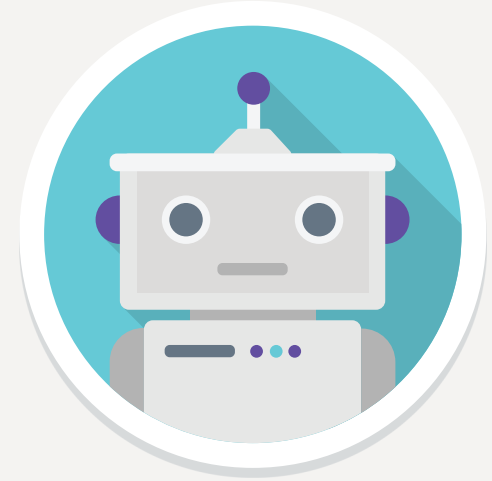
**Time** is a huge factor that can maximize the benefits of compound interest.

So how much difference  
does a head start make?



**EINSTEIN**

*“There’s no time  
to lose!”*



**BLIPPY**

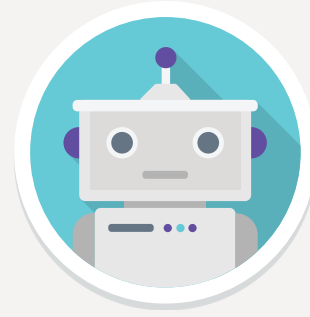
*“I can always  
start saving later.”*

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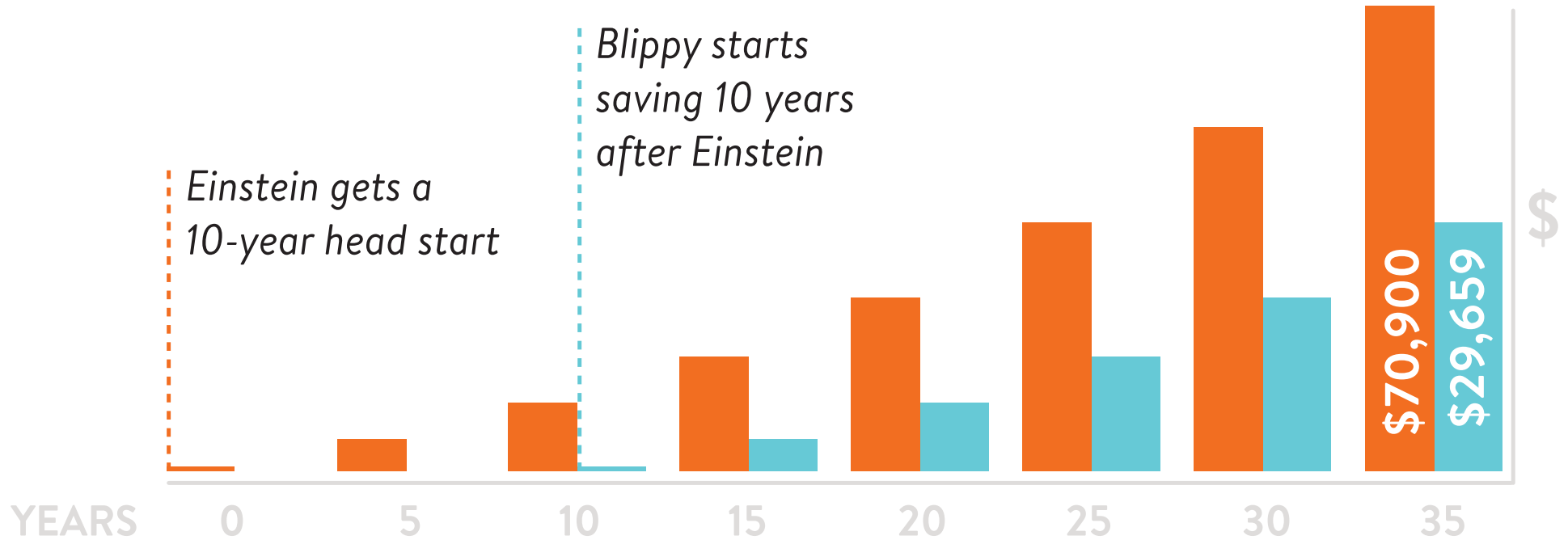
## Starts saving at 25

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



## Starts saving at 35

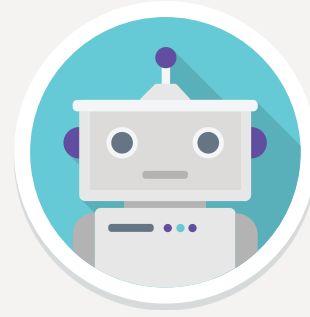
*\$1,000 initial deposit  
\$1,200 annual deposit  
5% annual return*





## Starts saving at 25

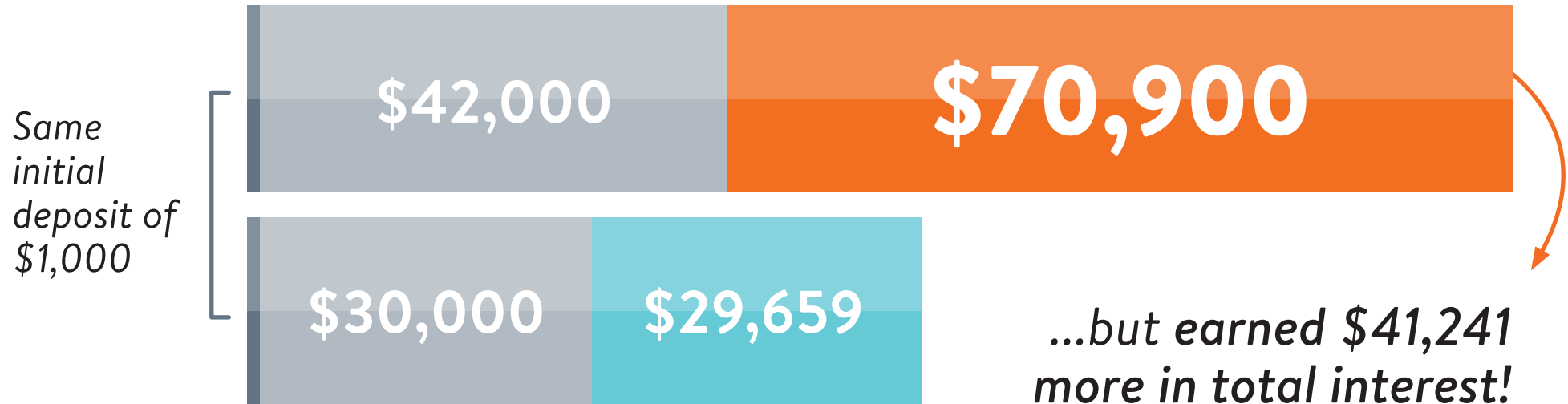
*\$1,000 initial deposit  
\$1,200 annual deposit  
5% annual return*



## Starts saving at 35

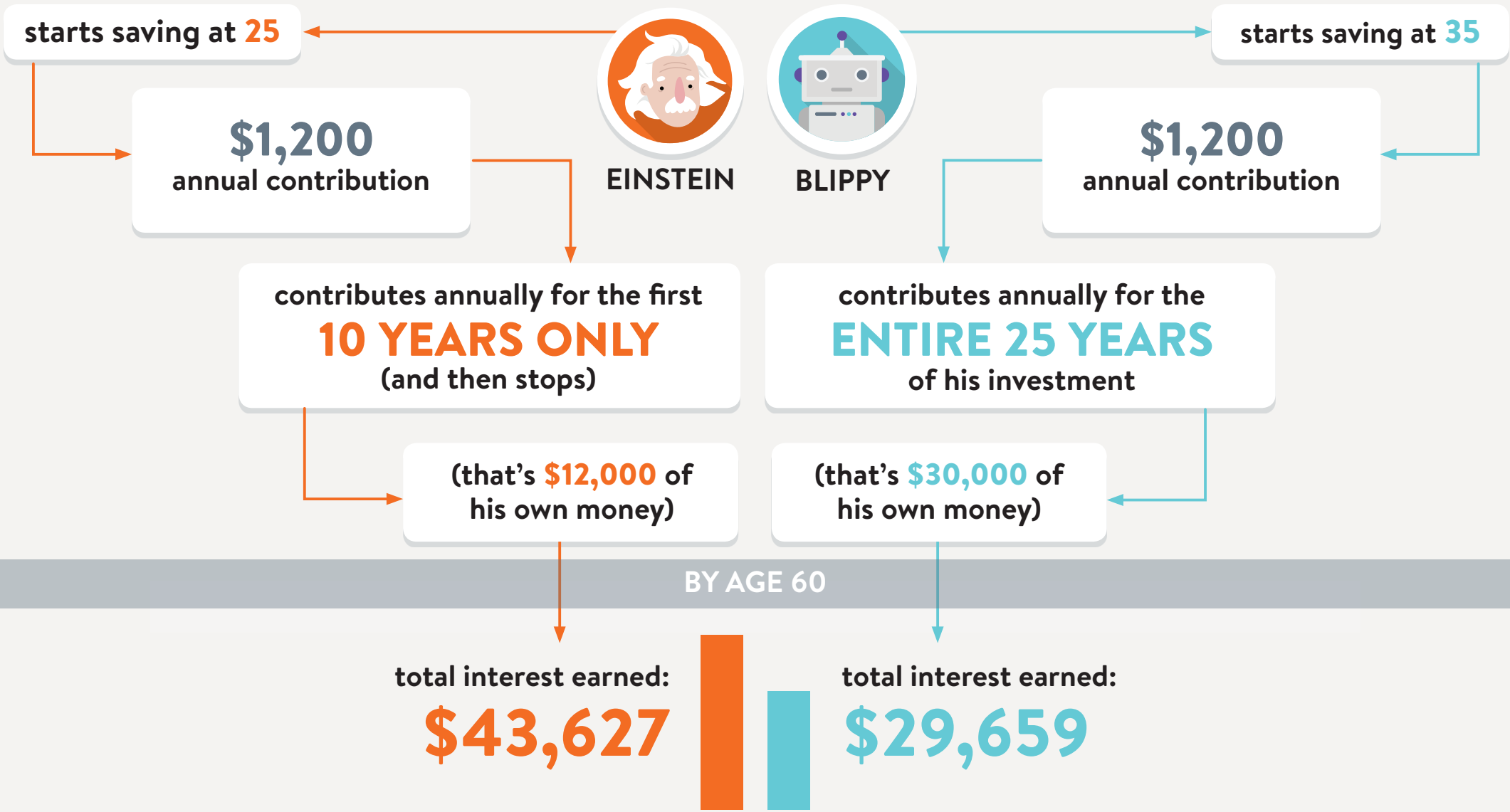
*\$1,000 initial deposit  
\$1,200 annual deposit  
5% annual return*

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





Does starting early matter if you contribute less money overall?

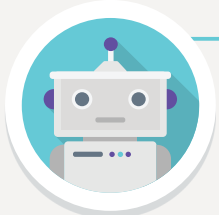


starts saving at **25**

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!

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*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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