

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

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.



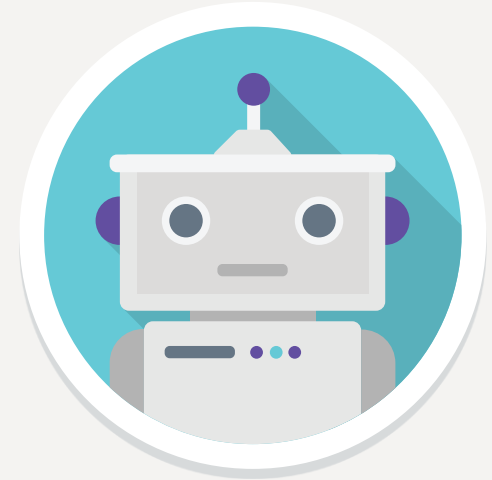
Time is a huge factor that can maximize the benefits of compound interest.

So how much difference
does a head start make?



EINSTEIN

*“There’s no time
to lose!”*



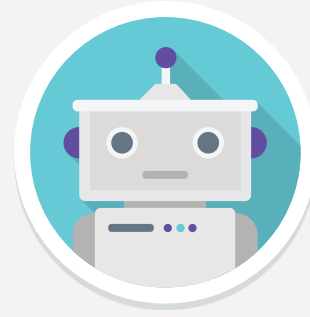
BLIPPY

*“I can always
start saving later.”*



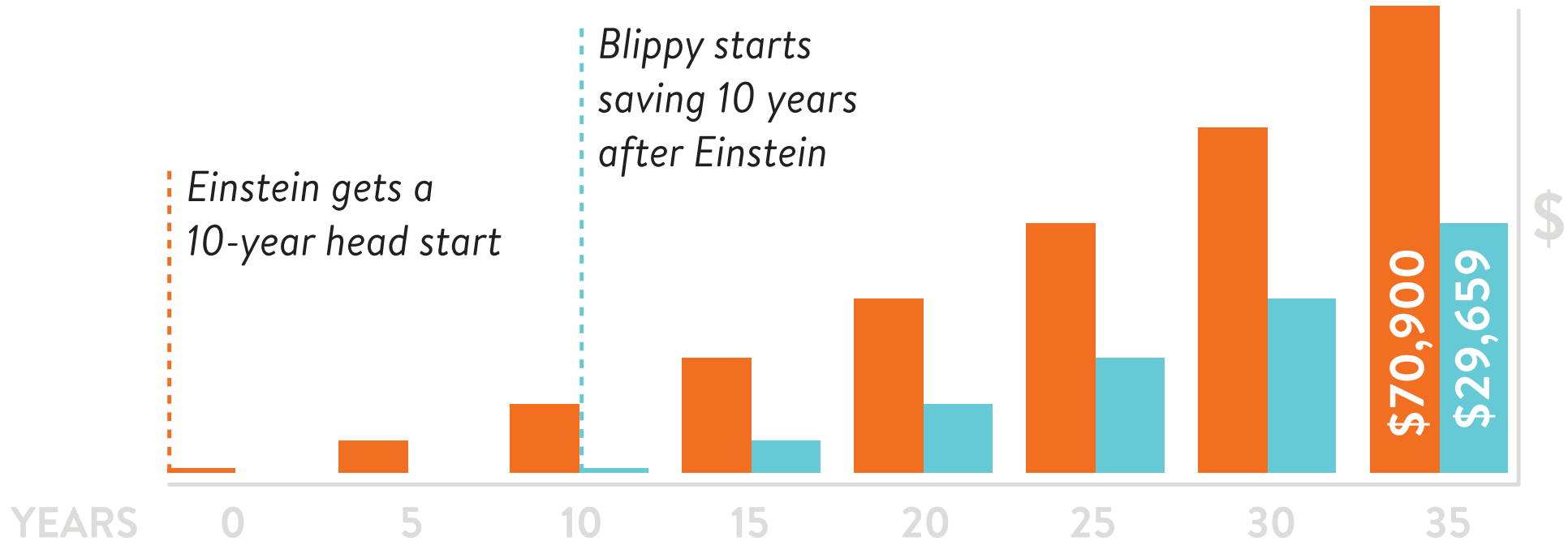
Starts saving at 25

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



Starts saving at 35

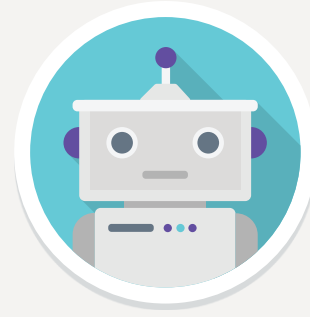
*\$1,000 initial deposit
\$1,200 annual deposit
5% annual return*





Starts saving at 25

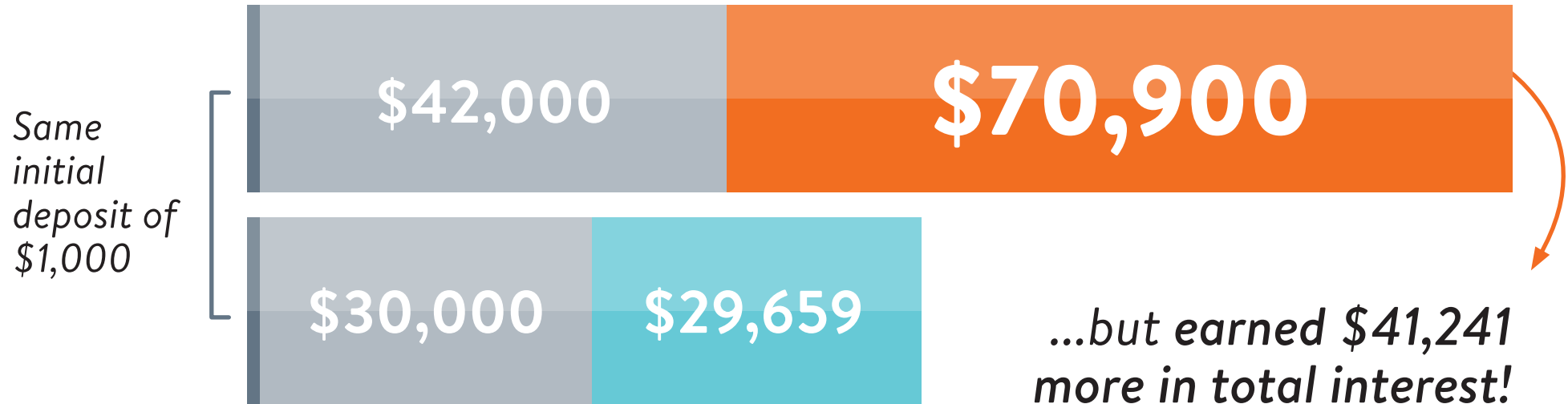
*\$1,000 initial deposit
\$1,200 annual deposit
5% annual return*



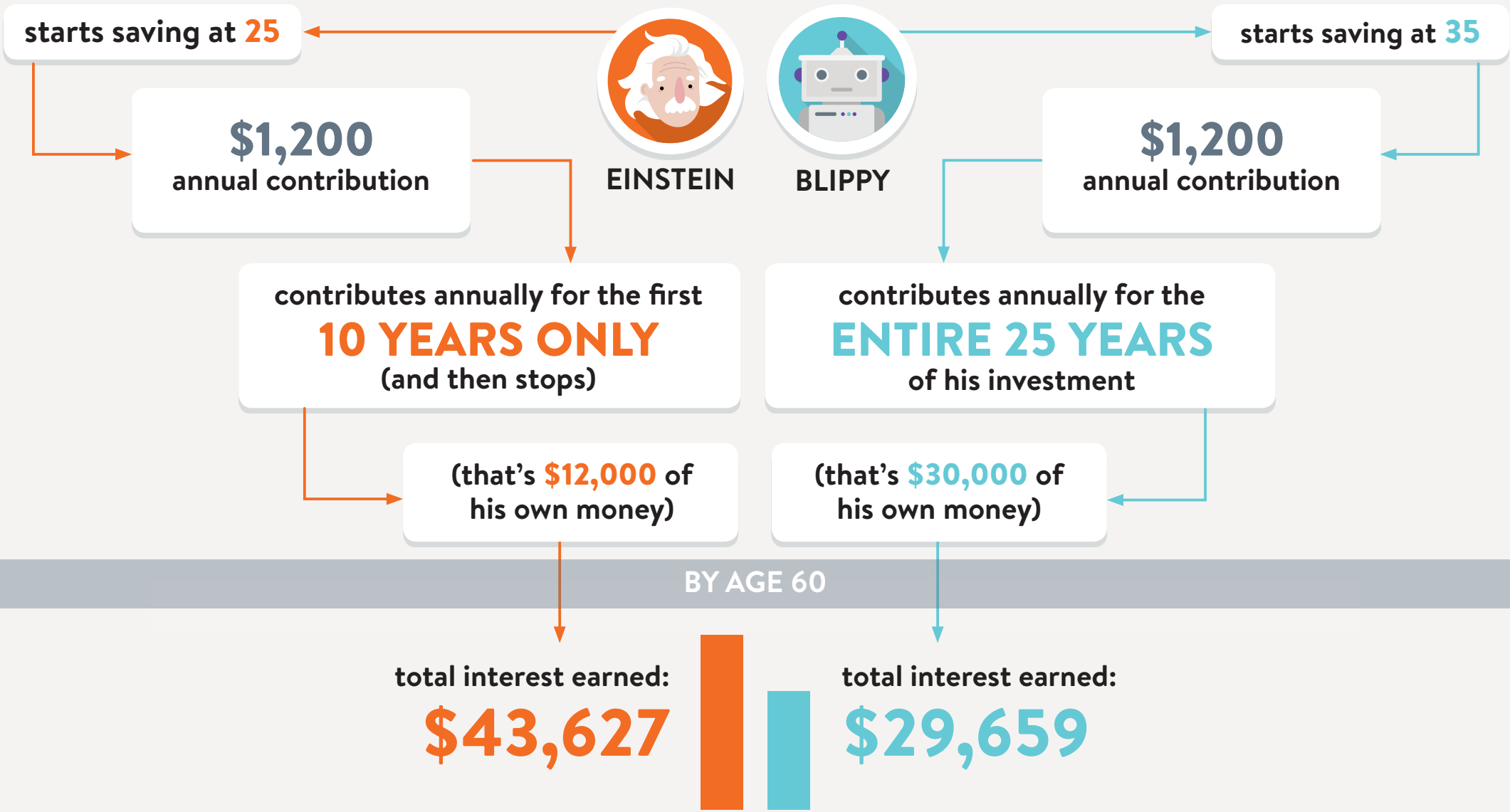
Starts saving at 35

*\$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?





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.



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