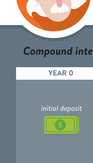
Compound interest MIND BEND

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 means earning interest on your interest:



It's a powerful concept in saving and investing.

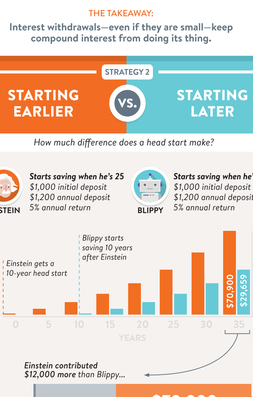
How to make the most of COMPOUND INTEREST

3 Strategies + Takeaways

STRATEGY 1

SAVING THE INTEREST vs. SPENDING THE INTEREST

What happens if you withdraw your interest as you earn it?



By leaving his investment alone, Einstein earned **2.5x** more interest

$2,746

Even if Blippy had spent only **half** of his interest each year, he would have still only earned $2,746 in total interest.

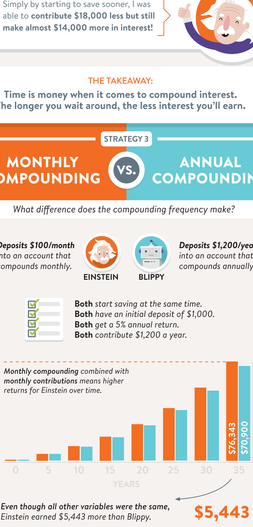
THE TAKEAWAY:

Interest withdrawals—even if they are small—keep compound interest from doing its thing.

STRATEGY 2

STARTING EARLIER vs. STARTING LATER

How much difference does a head start make?





Well, of course Einstein earned more! He started sooner *and* contributed more money than I did!

Does starting sooner still matter if you contribute less money?



Simply by starting to save sooner, I was able to **contribute $18,000 less but still make almost $14,000 more in interest!**

THE TAKEAWAY:

Time is money when it comes to compound interest. The longer you wait around, the less interest you'll earn.

STRATEGY 3

MONTHLY COMPOUNDING vs. ANNUAL COMPOUNDING

What difference does the compounding frequency make?

Deposits $100/month into an account that compounds monthly.

EINSTEIN

BLIPPY

Deposits $1,200/year into an account that compounds annually.

Both *start saving at the same time.*
Both *have an initial deposit of $1,000.*
Both *get a 5% annual return.*
Both *contribute $1,200 a year.*

THE TAKEAWAY:

Smaller, more frequent contributions are better than larger annual contributions when it comes to monthly compounding.

BROUGHT TO YOU BY

FIRST CREDIT UNION

IT'S A MONEY THING™

It's a Money Thing is a registered trademark of Currency Marketing