

Compound Interest **MIND BEND**

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**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	+\$5.00	\$100.00	+\$5.00
<i>after 1 year</i>	\$105	+\$5.00	\$105.00	+\$5.25
<i>after 2 years</i>	\$110	+\$5.00	\$110.25	+\$5.51
<i>after 3 years</i>	\$115	+\$5.00	\$115.76	+\$5.79
<i>after 4 years</i>	\$120	+\$5.00	\$121.55	+\$6.08
<i>after 5 years</i>	\$125		\$127.63	

interest increases every year

How to make the most of
COMPOUND INTEREST

Start saving now.



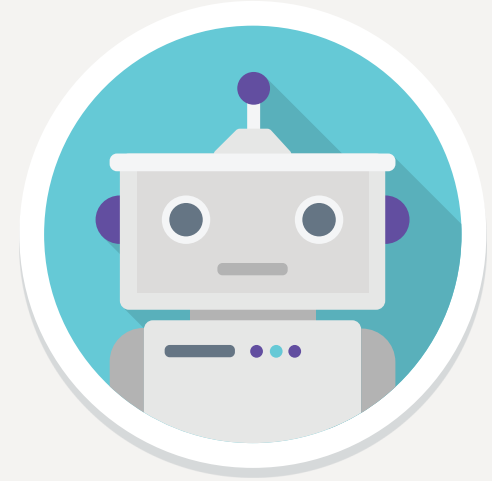
Time is a huge factor that can maximize the benefits of compound interest.

So how much difference
does a head start make?



EINSTEIN

*“There’s no time
to lose!”*



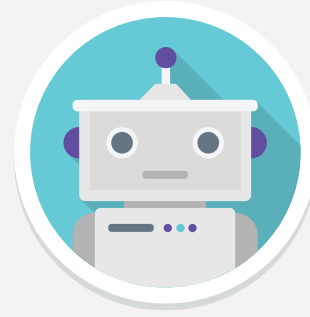
BLIPPY

*“I can always
start saving later.”*



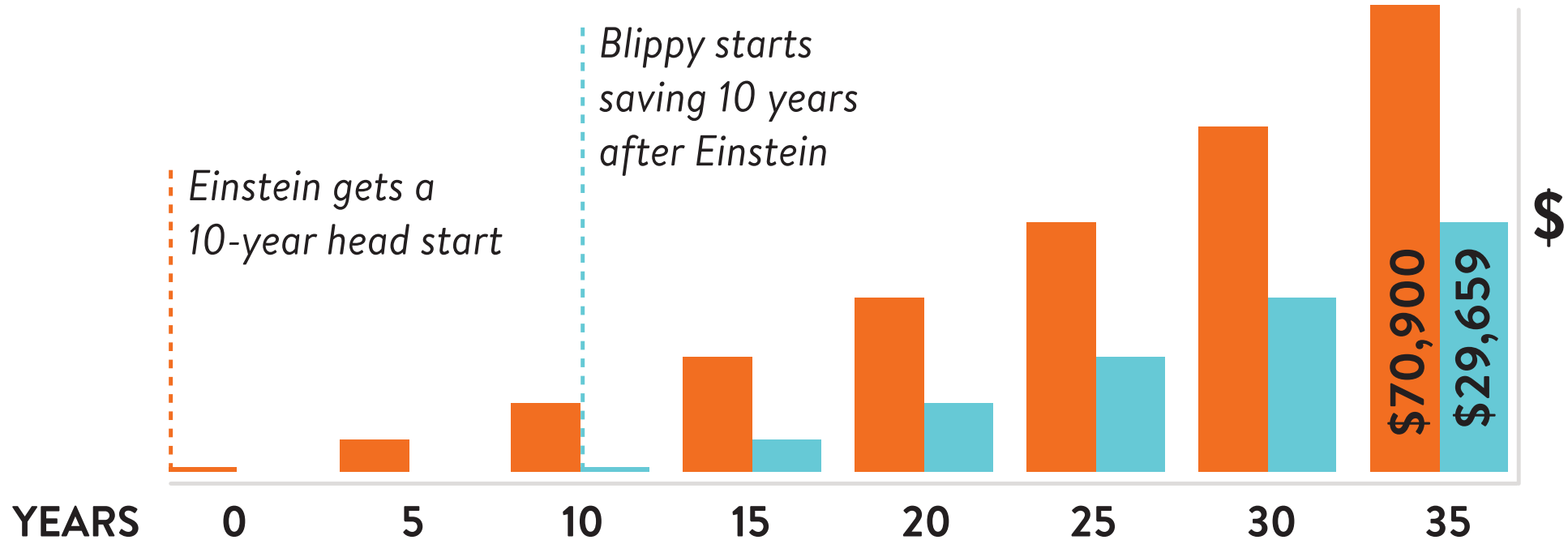
Starts saving at 25

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



Starts saving at 35

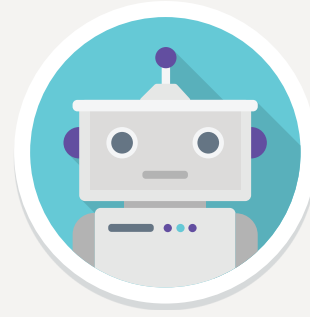
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Starts saving at 25

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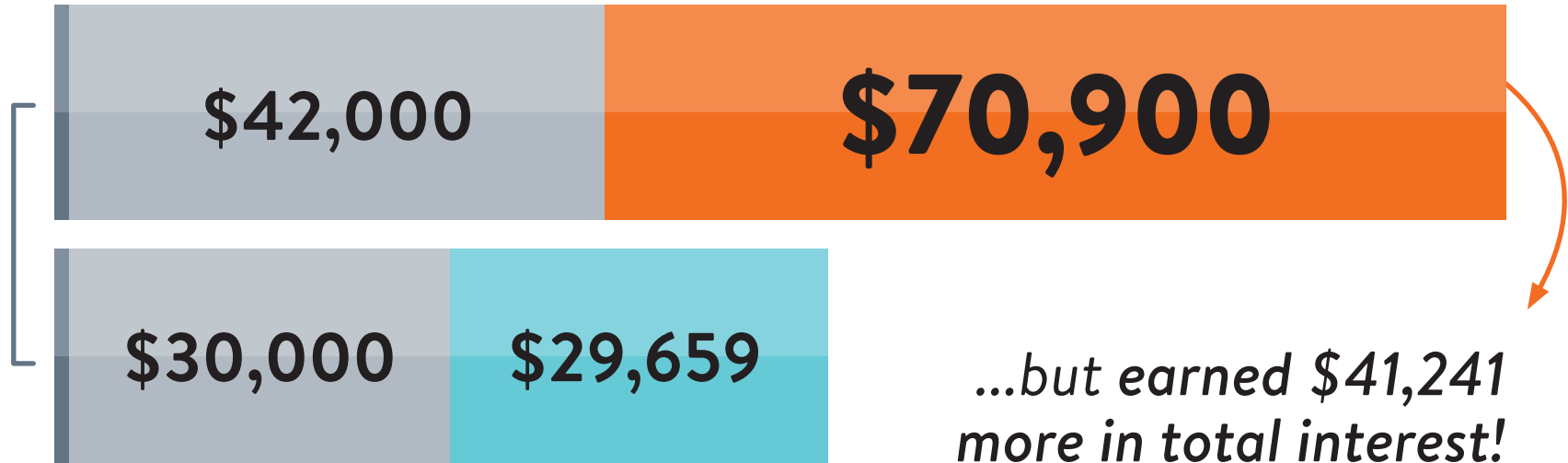


Starts saving at 35

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

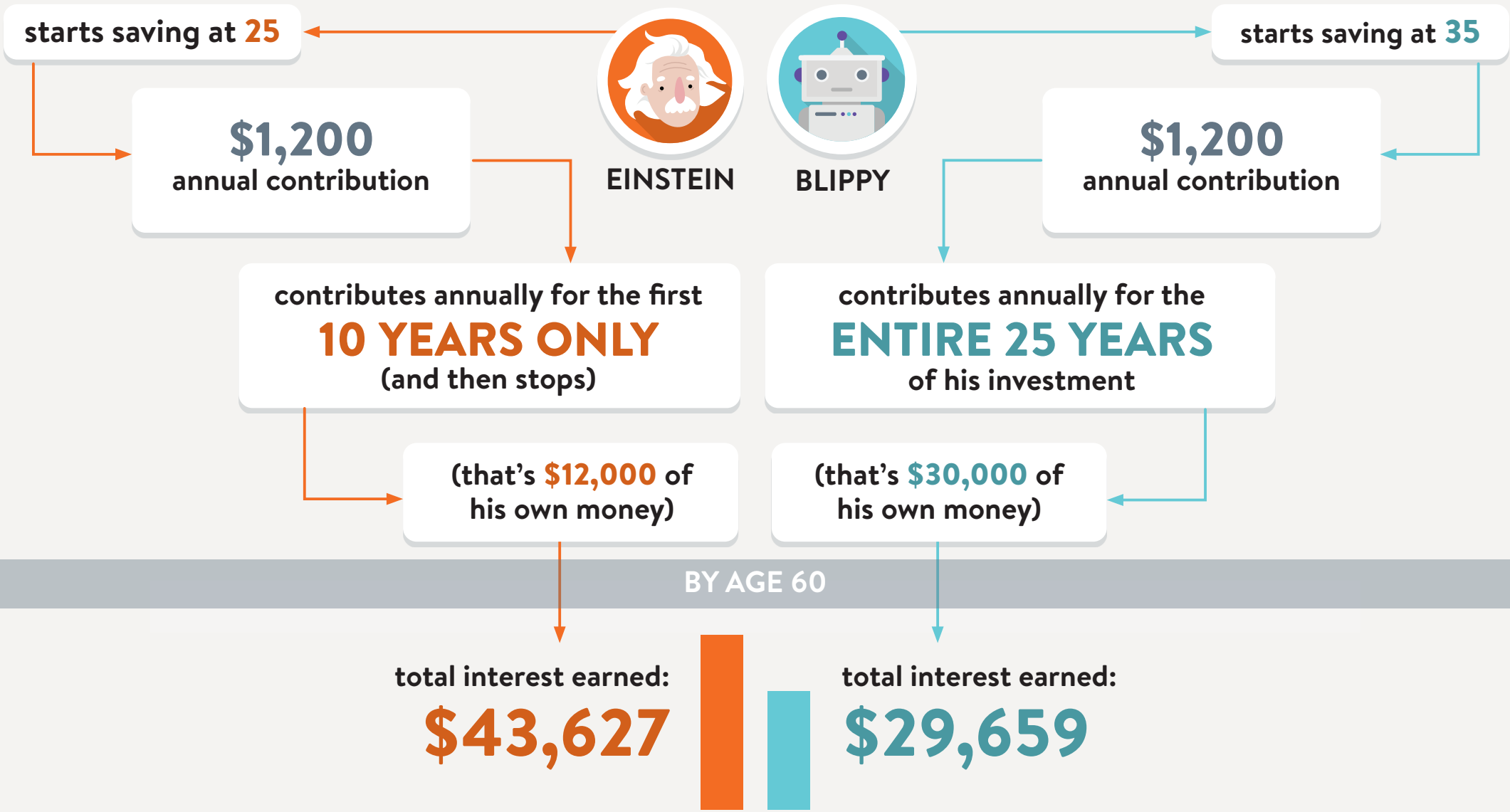
*Einstein contributed
\$12,000 more than Blippy...*

*Same
initial
deposit of
\$1,000*



*...but earned \$41,241
more in total interest!*

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.



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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