

Money Basics

The power of compounding is often hard to comprehend. We've created the following hypothetical example to help you better understand the benefit of saving early.

Meet our two investors, Barbara and Ron.

Barbara starts investing \$2,000 a year at age 19. She contributes \$2,000 a year until she is 27. **Her total contribution is \$18,000.**



Ron doesn't start investing until he is 28. He contributes \$2,000 a year until he is 65 years old. **His total contribution is \$76,000.**



Both earn a hypothetical 10% each year on their investment.

Who has more money at age 65?

If you guessed Barbara then you're right! Check out details to the right.



This hypothetical example assumes a 10% return on investments, and no withdrawals. Rates of return will vary by investor and are not guaranteed. If the rate of return were altered, results would vary from those shown. This example doesn't represent any particular investment, investment strategy and doesn't account for inflation. There may be other material differences between investments that must be considered prior to investing.

AGE	BARBARA INVESTS	YEAR END VALUE	RON INVESTS	YEAR END VALUE
19	2,000	2,000	0	0
20	2,000	4,113	0	0
21	2,000	6,572	0	0
22	2,000	9,278	0	0
23	2,000	12,254	0	0
24	2,000	15,527	0	0
25	2,000	19,128	0	0
26	2,000	23,089	0	0
27	2,000	27,447	0	0
28	0	30,191	2,000	2,048
29	0	33,210	2,000	4,301
30	0	36,531	2,000	6,780
31	0	40,184	2,000	9,506
32	0	44,203	2,000	12,505
33	0	48,623	2,000	15,803
34	0	53,486	2,000	19,432
35	0	58,834	2,000	23,423
36	0	64,718	2,000	27,814
37	0	71,189	2,000	32,643
38	0	78,308	2,000	37,956
39	0	86,139	2,000	43,800
40	0	94,753	2,000	50,228
41	0	104,228	2,000	57,299
42	0	114,651	2,000	65,077
43	0	126,116	2,000	73,633
44	0	138,728	2,000	83,045
45	0	152,601	2,000	93,397
46	0	167,861	2,000	104,785
47	0	184,647	2,000	117,312
48	0	203,111	2,000	131,092
49	0	223,422	2,000	146,249
50	0	245,765	2,000	162,922
51	0	270,341	2,000	181,263
52	0	297,375	2,000	201,437
53	0	327,113	2,000	223,629
54	0	359,824	2,000	248,040
55	0	395,806	2,000	274,892
56	0	435,387	2,000	304,430
57	0	478,926	2,000	336,921
58	0	526,818	2,000	372,662
59	0	579,500	2,000	411,976
60	0	637,450	2,000	455,222
61	0	701,195	2,000	502,792
62	0	771,315	2,000	555,120
63	0	848,446	2,000	612,680
64	0	933,291	2,000	675,996
65	0	1,026,620	2,000	745,644