THREE RULES OF MONEY

1. COMPOUND INTEREST

THE EFFECT OF COMPOUNDING INTEREST

One of the most important discoveries in finance is **the Rule of 72.**
It shows you how to calculate the effect of compound interest with a very simple formula.

$$\frac{72}{\text{RATE OF RETURN}} = \text{YEARS TO DOUBLE YOUR MONEY}$$

72 / **4** = 18

MONEY DOUBLES EVERY 18 YEARS	
TIME	**4%**
TODAY	$10,000
18	$20,000
36	$40,000

72 / **8** = 9

MONEY DOUBLES EVERY 9 YEARS	
TIME	**8%**
TODAY	$10,000
9	$20,000
18	$40,000
27	$80,000
36	$160,000

72 / **12** = 6

MONEY DOUBLES EVERY 6 YEARS	
TIME	**12%**
TODAY	$10,000
6	$20,000
12	$40,000
18	$80,000
24	$160,000
30	$320,000
36	$640,000

THE DIFFERENCE BETWEEN $10,000 AT 4% VS 12% IS $600,000
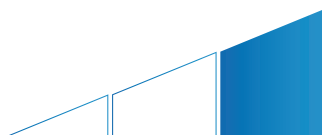
2. TAXES

WHERE DO YOU PUT YOUR MONEY?

Benjamin Franklin said that nothing is certain in this world except for death and taxes.
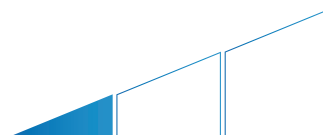
TAX NOW
CHECKING
SAVINGS
CD
STOCK
MUTUAL FUND

TAX LATER
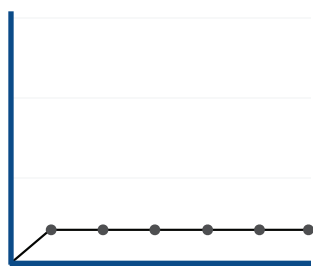401k/403(b)
IRA/SEP-IRA
ANNUITY
PENSION
TSP

TAX FREE
ROTH IRA
529 COLLEGE SAVINGS
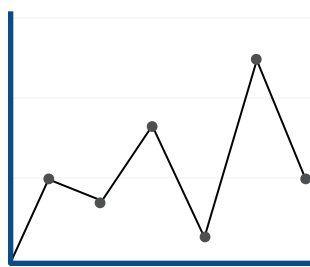EXECUTIVE BONUS
LONG TERM CARE BENEFIT
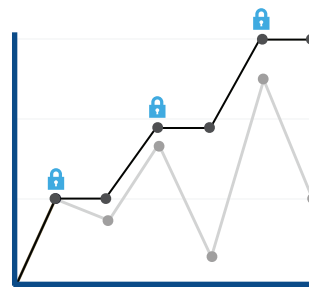CASH VALUE LIFE INSURANCE

3. INVESTMENT OPTIONS

FIXED

⊕SAFETY ⊖GROWTH

VARIABLE

⊖SAFETY ⊕GROWTH

INDEX

⊕SAFETY ⊕GROWTH