

Compounding Interest

Interest which is calculated not only on the initial principal, but also the accumulated interest of prior periods.

Would You Rather Have, A Million Dollars Today,
Or A Penny That Doubles
Every Day For Thirty Days?



**I Hope You Chose The Penny!
Why...**

1	2	4	8	16	32	64
128	256	512	1,024	2,048	4,096	8,192
16,384	32,768	65,536	131,072	262,144	524,288	1,048,576
2,097,152	4,194,304	8,388,608	16,777,216	33,554,432	67,108,864	134,217,728
268,435,456	536,870,912					

Figure 4.1

The Advantage of Starting Early

The Impact of Time on the Value of Money

You		Your Friends	
Age	Saving Early	Age	Saving Later
16	.....\$1,000	16	.....
17	.....\$1,000	17	.....
18	.....\$1,000	18	.....
19	.....\$1,000	19	.....
20	.....\$1,000	20	.....
21	.....\$1,000	21	.....
22	.....\$1,000	22	.....
23	.....\$1,000	23	.....
24	.....\$1,000	24	.....
25	.....\$1,000	25	.....
26	.....	26	.....\$1,000
27	.....	27	.....\$1,000
28	.....	28	.....\$1,000
29	.....	29	.....\$1,000
30	.....	30	.....\$1,000
31	.....	31	.....\$1,000
32	.....	32	.....\$1,000
33	.....	33	.....\$1,000
34	.....	34	.....\$1,000
35	.....	35	.....\$1,000
36	.....	36	.....\$1,000
37	.....	37	.....\$1,000
38	.....	38	.....\$1,000
39	.....	39	.....\$1,000
40	.....	40	.....\$1,000
41	.....	41	.....\$1,000
42	.....	42	.....\$1,000
43	.....	43	.....\$1,000
44	.....	44	.....\$1,000
45	.....	45	.....\$1,000
46	.....	46	.....\$1,000
47	.....	47	.....\$1,000
48	.....	48	.....\$1,000
49	.....	49	.....\$1,000
50	.....	50	.....\$1,000

*Total of
\$10,000
Invested*

*Total of
\$25,000
Invested*

Amount Available at Age 50:
\$131,050

\$84,701

Difference Due to Starting Early: \$ 46,349

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