

## The Rule of 72

### The Power of Compounding Interest

*The most important and simple rule to financial success — the Rule of 72 — helps determine interest on savings accounts and interest rates on debt.*

#### The Rule of 72 helps determine:

- How long it will take for money to double when interest is compounded
- The interest rate an investment must earn to double in a specific time period
- How many times money will double in a specified time period
- The impact of interest rates on debt

#### Things to know about The Rule of 72:

- It is only an approximation
- Assumes the interest rate stays constant
- Does not allow for additional contributions beyond the original principal
- Does not account for taxes or fees

#### How it works:

72 divided by the interest rate = number of years it will take for your money to double!

**Example:  $72 \div 7\% (.07)$ . Your savings will double in 10.3 years!**

# THE RULE of 72

Take the number 72 and divide it by the annual rate of interest that your money is earning to determine the number of years it will take for your money to double.

### The **RULE** of 72 in ACTION

If your interest rate is....

Your money will double in...

2% ( $72 \div 2$ )



4% ( $72 \div 4$ )



6% ( $72 \div 6$ )



8% ( $72 \div 8$ )



12% ( $72 \div 12$ )



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