UNDERSTANDING COMPOUND INTEREST

Compounding occurs when the returns on an investment are not spent but reinvested to generate even better returns.

*Compounding can be a very powerful tool to create wealth over time. All you need is **PATIENCE** and **DISCIPLINE.***
The example below (adapted from bankrate.com) shows the amount of money you could possibly save for retirement.

As you might notice; the younger you start saving
= the more time your money can grow = the more you would have saved at retirement.

ASSUMPTIONS:

- Returns of **5%** per year
- Retire at age **65**
- Initial investment of R0

SAVE PER MONTH	R500	R1 000	R1 500	R2 000
ANNUAL SAVINGS	R6 000	R12 000	R18 000	R24 000
Start saving	Amount at retirement	Amount at retirement	Amount at retirement	Amount at retirement
AGE 25	R741 000	R1 483 000	R2 224 000	R2 965 000
AGE 35	R408 000	R815 000	R1 223 000	R1 631 000
AGE 45	R203 000	R406 000	R609 000	R812 000
AGE 55	R77 000	R154 000	R232 000	R309 000

"Money makes money. And the money that makes money makes more money." – Benjamin Franklin

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