Compound interest is the eighth wonder of the world. He who understands it, earns it… He who doesn’t, pays it… – Albert Einstein

**How to make the most of COMPpound INTEREST**

**STRATEGY 1**

**VS.**

**STRATEGY 2**

**THE TAKEAWAY:** Interest withdrawals — even if they are small — keep compound interest from doing its thing.

**STRATEGY 3**

**VS.**

**THE TAKEAWAY:** Time is money when it comes to compound interest. The longer you wait around, the less interest you’ll earn.

**MONTHLY COMPOUNDING**

**ANNUAL COMPOUNDING**

- **Einstein** contributes annually for the first 10 YEARS ONLY (and then stops)
- **Blippy** contributes annually for the ENTIRE 25 YEARS of his investment

**STARTING EARLIER**

- **Blippy** starts saving 10 years after **Einstein**
- **Einstein** starts saving at 25, **Blippy** starts saving at 35

**THE INTEREST**

- **Einstein** contributes $12,000 more than **Blippy**
- **Einstein** earned $41,241 more in total interest!

- **EINSTEIN**
  - Deposits $100/month into an account that compounds monthly.
  - Starts saving when he’s 25
  - $1,000 initial deposit
  - $1,200 annual deposit
  - 5% annual return

- **BLIPPY**
  - Deposits $1,200/year into an account that compounds annually.
  - Starts saving when he’s 35
  - $1,000 initial deposit
  - $1,200 annual deposit
  - 5% annual return

**THE TAKEAWAY:** Simply by starting to save sooner, I was able to contribute $18,000 less but still make almost $14,000 more in interest!

**Does starting sooner still matter if you contribute less money?**

- **Even if Blippy had spent only half of his interest each year, he would have still only earned $2,746 in total interest.**
- **By leaving his investment alone, Einstein earned $76,343 compared to Blippy’s $70,900, that’s $5,443 more!**

**CONCLUSION:**

**Absolutely No Guarantees**

**All investments carry the risk of losing some or all of your money, even when made through a financial advisor or financial institution.**

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**Methodology:**

- **Initial and Annual Deposits:**
  - Einstein: $1,000 initial deposit, $1,200 annual deposit
  - Blippy: $1,000 initial deposit, $1,200 annual deposit

- **Interest Rate:** 5%

- **Compounding Frequency:**
  - Monthly for Einstein
  - Annual for Blippy

- **Years:**
  - Einstein: 35 years
  - Blippy: 35 years

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**EINSTEIN VS. BLIPPY**

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Initial Deposit</th>
<th>Annual Deposit</th>
<th>Total Interest Earned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Einstein</td>
<td>$1,000</td>
<td>$1,200</td>
<td>$41,241</td>
</tr>
<tr>
<td>Blippy</td>
<td>$1,000</td>
<td>$1,200</td>
<td>$29,659</td>
</tr>
</tbody>
</table>

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**ARE YOU READY FOR THE MIND BEND?**

Two common mistakes that people make in working with compound interest are:  

1. Spending the interest every year, rather than letting it compound
2. Withdrawal of any kind of interest, even if it is small

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**In Conclusion:**

**Compound interest is a powerful concept in saving and investing.** It’s never too late to start saving, but you’ll get further ahead by starting sooner.

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**INTEREST**

- **Annual:**
  - Einstein: $1,000 initial deposit, $1,200 annual deposit, 5% annual return, earns $4,516 in total interest.
  - Blippy: $1,000 initial deposit, $1,200 annual deposit, 5% annual return, earns $3,016 in total interest.

- **Total Interest Earned after 35 Years:**
  - Einstein: $42,000
  - Blippy: $30,000

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**THE INTEREST**

- **Spending the Interest:**
  - Einstein: $1,100/month, $4,443 in total interest earned.
  - Blippy: $1,100/month, $3,026 in total interest earned.

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**ABSOLUTELY NO GUARANTEES**

**All investments carry the risk of losing some or all of your money, even when made through a financial advisor or financial institution.**

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**MONTHLY COMPOUNDING**

- **Einstein:**
  - Deposits $100/month into an account that compounds monthly.
  - Starts saving when he’s 25
  - $1,000 initial deposit
  - $1,200 annual deposit
  - 5% annual return
  - $76,343 total interest earned (and spent after 35 years)

- **Blippy:**
  - Deposits $1,200/year into an account that compounds annually.
  - Starts saving when he’s 35
  - $1,000 initial deposit
  - $1,200 annual deposit
  - 5% annual return
  - $70,900 total interest earned (and spent after 35 years)

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**SAME STARTING MONEY**

- **Einstein:**
  - $3,000 total interest earned.