Did You Know?

There's a huge advantage to investing early. Let's say you start investing $2,000 every year when you're 18. You put it into an account that grows by 7% each year, and continue to invest the same amount for 10 years. Then you stop and just let that money sit for the next 38 years, where it continues to grow at 7% a year, until you're 65 years old.

Now say your sister decides not to invest until she turns 31. Then she puts $2,000 a year into an account that also earns 7% a year—and does it for the next 35 years, until she turns 65. Who will have more money?

You will! About $85,000 more, in fact. After investing only $20,000, your account will be worth $361,418. But even though she has invested $70,000, your sister will have only $276,474. That's because you had the power of time on your side. ***Figure 3-1*** demonstrates this point.

If you stick with investing $2,000 per year from age 18 through age 65, you could end up with more than $706,000!

Figure 3-1: The Advantage of Starting Early

The Impact of Time on the Value of Money

YOU[1]	
AGE	SAVING EARLY AT 7%
18	$2,000
19	$2,000
20	$2,000
21	$2,000
22	$2,000
23	$2,000
24	$2,000
25	$2,000
26	$2,000
27	$2,000
NO FURTHER INVESTING FROM AGE 27 to 65	
TOTAL INVESTMENT: $20,000	
YOUR TOTAL AT AGE 65:	
$361,418	

VS

YOUR SISTER[1]	
AGE	SAVING LATER AT 7%
TOTAL INVESTMENT: $70,000	
NO INVESTING UNTIL AGE 31	
31	$2,000
32	$2,000
33	$2,000
34	$2,000
35	$2,000
36	$2,000
37	$2,000
38	$2,000
39	$2,000
40	$2,000
41	$2,000
42	$2,000
43	$2,000
44	$2,000
45	$2,000
46	$2,000
47	$2,000
48	$2,000
49	$2,000
50	$2,000
51	$2,000
52	$2,000
53	$2,000
54	$2,000
55	$2,000
56	$2,000
57	$2,000
58	$2,000
59	$2,000
60	$2,000
61	$2,000
62	$2,000
63	$2,000
64	$2,000
65	$2,000
YOUR SISTER'S TOTAL AT AGE 65:	
$276,474	

Your Difference Due to Starting Early: $84,944

[1] The investment periods shown reflect 10 complete years for "You" and 35 complete years for "Your Sister." Investments are assumed to be made annually and at the end of the investment period.