The Longer Term Strategy

The example below outlines the immense benefit of saving over the longer term. It assumes that someone is saving $1,000 a month for 20 years, and has achieved an annual growth of 12% compounded monthly.

	Contribution	Interest	Total value
Year 1	$12,000	$809	$12,809
Year 2	$24,000	$2,434	$27,243
Year 3	$36,000	$4,264	$43,508
Year 4	$48,000	$6,327	$61,835
Year 5	$60,000	$8,652	$82,486
Year 6	$72,000	$11,271	$105,757
Year 7	$84,000	$14,222	$131,979
Year 8	$96,000	$17,548	$161,527
Year 9	$108,000	$21,295	$194,822
Year 10	$120,000	$25,518	$232,339
Year 11	$132,000	$30,276	$274,615
Year 12	$144,000	$35,637	$322,252
Year 13	$156,000	$41,679	$375,931
Year 14	$168,000	$48,487	$436,418
Year 15	$180,000	$56,158	$504,576
Year 16	$192,000	$64,802	$581,378
Year 17	$204,000	$74,543	$667,921
Year 18	$216,000	$85,518	$765,439
Year 19	$228,000	$97,886	$875,325
Year 20	$240,000	$111,828	$999,148

From year 1 - 10 the compounded interest was $112,340
From year 11 - 20 the compounded interest was $646,814

Over 85% of the growth came in the final half of the savings term !

The Effect of Compound Interest