

The Power of Compounding

Assumes 8% compounded return annually

Let's examine two different Savers:

Saver #1 starts saving \$3,000 at age 25 and saves for 10 years

Saver #2 starts saving \$3,000 at age 35 and continues through age 65

Who will have more at retirement?

Year	Age	Saver #1	Balance	Saver #2	Balance
1	25	\$ 3,000	\$ 3,240		
2	26	\$ 3,000	\$ 6,739		
3	27	\$ 3,000	\$ 10,518		
4	28	\$ 3,000	\$ 14,600		
5	29	\$ 3,000	\$ 19,008		
6	30	\$ 3,000	\$ 23,768		
7	31	\$ 3,000	\$ 28,910		
8	32	\$ 3,000	\$ 34,463		
9	33	\$ 3,000	\$ 40,460		
10	34	\$ 3,000	\$ 46,936		
11	35		\$ 50,691	\$ 3,000	\$ 3,240
12	36		\$ 54,747	\$ 3,000	\$ 6,739
13	37		\$ 59,126	\$ 3,000	\$ 10,518
14	38		\$ 63,857	\$ 3,000	\$ 14,600
15	39		\$ 68,965	\$ 3,000	\$ 19,008
16	40		\$ 74,482	\$ 3,000	\$ 23,768
17	41		\$ 80,441	\$ 3,000	\$ 28,910
18	42		\$ 86,876	\$ 3,000	\$ 34,463
19	43		\$ 93,826	\$ 3,000	\$ 40,460
20	44		\$ 101,332	\$ 3,000	\$ 46,936
21	45		\$ 109,439	\$ 3,000	\$ 53,931
22	46		\$ 118,194	\$ 3,000	\$ 61,486
23	47		\$ 127,650	\$ 3,000	\$ 69,645
24	48		\$ 137,861	\$ 3,000	\$ 78,456
25	49		\$ 148,890	\$ 3,000	\$ 87,973
26	50		\$ 160,802	\$ 3,000	\$ 98,251
27	51		\$ 173,666	\$ 3,000	\$ 109,351
28	52		\$ 187,559	\$ 3,000	\$ 121,339
29	53		\$ 202,564	\$ 3,000	\$ 134,286
30	54		\$ 218,769	\$ 3,000	\$ 148,269
31	55		\$ 236,270	\$ 3,000	\$ 163,370
32	56		\$ 255,172	\$ 3,000	\$ 179,680
33	57		\$ 275,586	\$ 3,000	\$ 197,294
34	58		\$ 297,633	\$ 3,000	\$ 216,318
35	59		\$ 321,443	\$ 3,000	\$ 236,863
36	60		\$ 347,159	\$ 3,000	\$ 259,052
37	61		\$ 374,931	\$ 3,000	\$ 283,016
38	62		\$ 404,926	\$ 3,000	\$ 308,898
39	63		\$ 437,320	\$ 3,000	\$ 336,850
40	64		\$ 472,306	\$ 3,000	\$ 367,038
41	65		\$ 510,090	\$ 3,000	\$ 399,641
Total Saved		\$ 30,000		\$ 90,000	

As you can see, the power of saving early is dramatic when compared to the saver who started later but saved 3 times as much. Had Saver #1 continued to save the \$3,000 per year, the balance at age 65 would approach \$1,000,000.