

## Advantage of Starting Early

Handout available for download on the [YRRP website](http://www.yellowribbon.mil/cms/event-handout) at: [www.yellowribbon.mil/cms/event-handout](http://www.yellowribbon.mil/cms/event-handout)

### Did You Know?

There's a huge advantage to investing early. Let's say you started 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, and it continues to grow at 7% a year until you're 65 years old.

Now, say your friend 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 this for the next 35 years until she turns 65. Who will have more money?

You will! About \$85,000 more! After investing only \$20,000, your account will be worth \$361,418. Even though your friend has invested \$70,000, she will have only \$276,474. That's because you had the power of time on your side.

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

Information adapted from [hsfpp.org](http://hsfpp.org)

### The Impact of Time on the Value of Money

YOU <sup>1</sup>		YOUR FRIEND <sup>1</sup>	
AGE	SAVING EARLY AT 7%	AGE	SAVING LATER 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		
<b>NO FURTHER INVESTING FROM AGE 27 to 65</b>			
<b>TOTAL INVESTMENT: \$20,000</b>			
			<b>TOTAL INVESTMENT: \$70,000</b>
		<b>NO INVESTING UNTIL AGE 31</b>	
		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
<b>YOUR TOTAL AT AGE 65: \$361,418</b>		<b>YOUR FRIEND'S TOTAL AT AGE 65: \$276,474</b>	
<b>VS</b>			
<b>YOUR DIFFERENCE DUE TO STARTING EARLY: \$84,944</b>			

<sup>1</sup> The Investment periods shown reflect 10 complete years for "You" and 35 complete years for "Your Friend." Investments are assumed to be made annually and at the end of the investment period.

## Rules of Thumb to Grow Your Money

- The sooner you invest money, the more time the money has to grow or to increase in value.
- The earlier you start investing consistently, the less principal you have to put away to reach a financial goal.
- The more money you have to invest, the more money you will likely earn on your principal.
- The higher the interest rate you earn, the more money you will likely have in your account.
- Don't put all of your eggs in the same basket - diversify your portfolio. Invest in different types of investments.

## Possible Actions to Take in Order to Reach your Financial Goals

- Post the rules of thumb discussed in a location where you will see them daily.
- Enroll in your workplace retirement plan. This is a no brainer investing step. If you are working, you ought to put some of your earnings aside for the later years when you are retired. What you set aside today will become your paycheck in retirement.
- Start a savings program so you have money to invest.
- Investigate and open a mutual fund account.
- Analyze your spending to determine if you have leaks to plug and more money that can be redirected to investing.
- Continue to learn more about investing.
- Interview at least three investment advisers to determine which one, if any, you would like to work with as you learn more and invest your money.

## Online Resources

- Today, the U.S. Treasury only allows U.S. savings bond purchases online on the [Treasury Direct website](http://www.treasurydirect.gov) at [www.treasurydirect.gov](http://www.treasurydirect.gov) or as part of your federal income tax refund
- The [Broker Check website](https://brokercheck.finra.org) at <https://brokercheck.finra.org> can be used as an online tool to research the backgrounds and experiences of brokers, advisers, and firms.
- For additional financial resources, visit the [Financial Resource Guide](http://www.yellowribbon.mil/cms/financial-resource-guide) on the YRRP website at [www.yellowribbon.mil/cms/financial-resource-guide](http://www.yellowribbon.mil/cms/financial-resource-guide)