

The Power of Compounding

Looking for ways to cut expenses? Focus on impulse buys and non-essentials—not your retirement plan contributions. They represent a source of your retirement income. And thanks to compounding—the incremental impact that investment returns can have on your savings—even small amounts have the potential to grow dramatically over time.

Here's an example of the power of investing over time: Hypothetical employee Sam contributes \$3,600 every year (6% of his \$60,000 salary) to his workplace retirement savings plan. If Sam's account grows an average 8% a year, in 10 years it will be worth \$64,096; in 20 years, \$194,702; and in 30 years, \$476,671.¹ Fees and charges are not included in the hypotheticals and, if they had been, would reduce the amounts shown. Of course, starting as early as possible gives you the greatest advantage. Over time, it doesn't take much to save a lot.

¹dinkytown.net, KJE Computer Solutions, LLC; February 2009.

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