



## Benefits of Compound Growth

### Put time on your side

Investing isn't just about how much money you have to invest. It's also about how much *time* you have to invest it. That's because of the power of compound growth.

### A simple definition

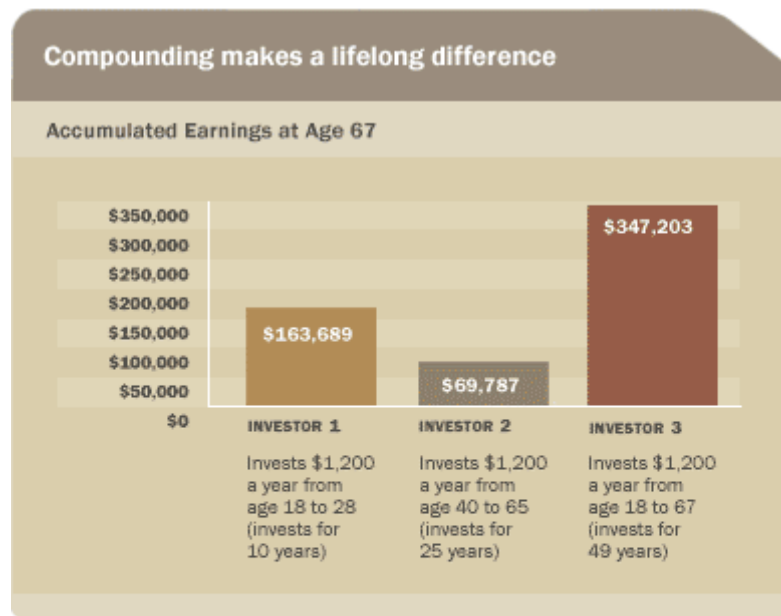
Compounding occurs when your earnings are reinvested back into your original investment to continue earning. Compounding can create a snowball effect, as the original investments *plus* the income earned from those investments grow together over time.

### The more time, the more growth potential

If you put away \$50 a month for 10 years and never invested it or earned any interest on it, you'd have \$6,000 after 10 years. But if you invested that same \$50 a month for 10 years and you earned 8 percent each year on your investment, you would end up with about \$9,150. In other words, you'd have 50 percent more.

The chart below shows another example of the power of compounding.

As you can see, Investor 1, who only invested for 10 years (but who started at age 18), earned more at retirement than Investor 2, who invested for 25 years. Of course, Investor 3, who contributed consistently for the longest period of time, surpassed the others.



Assumes a consistent annual 6 percent rate of return with \$1,200 contributions made at the beginning of each year. The amounts shown for investment growth and final results do not consider any transaction costs, fees or taxes. This represents a hypothetical investment and is for illustrative purposes only and is in no way to be considered indicative of any guaranteed performance an investor can expect to achieve. The actual annual rate of return and value will fluctuate with market conditions. Source: Schwab Center for Financial Research®.

This information is for educational purposes only and provided by Charles Schwab. It is not intended to be a substitute for specific individualized tax, legal or investment planning advice. Where specific advice is necessary or appropriate, consult with a qualified tax advisor, CPA, financial planner or investment manager.