



MoneyTalks

Wisconsin Deferred Compensation Program

On the Double

How long will it take to grow your savings?

Discovered by a 15th century Italian mathematician and later popularized by Albert Einstein's ideas on compounding, the Rule of 72 estimates how long it will take an investment to double in value at a given rate of return.⁴ You do this by dividing the rate of return into 72. For example: The WDC Stable Value Fund paid 5% interest in the last year.⁵ Divide 5 into 72 and you'll see the value of your investment doubles in 14.4 years ($72 \div 5 = 14.4$) if the interest remains at 5%. You can also do it backwards. Say you want to double your money in 12 years. Divide 12 into 72 and you'll find that you need an investment that returns 6% a year ($72 \div 12 = 6$). The calculation doesn't take taxes into account, but the Rule of 72 may work as a shorthand method to figure how quickly you can double your money. ■

4 nationmaster.com. The origins of the Rule of 72 date back over several centuries. An early reference to it can be found in "Summa de Arithmetica" by the 15th century Italian mathematician Fra Luca Pacioli. It is not a guarantee of future results.

5 Source: Investment Performance document, 2/27/09. To view the most current Investment Performance document, visit www.wdc457.org and click on the Investments tab, then "Investment Performance."



Please note: This newsletter does not constitute investment or financial advice.

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