Rule of 72

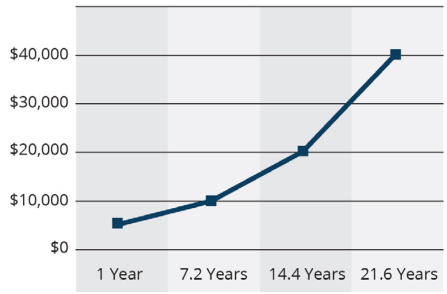
What is the Rule of 72?

The Rule of 72 is a method to estimate how long it will take for an investment to double in value using an expected rate of return, or interest rate.

Why is it important?

There are many reasons to save money: a new home, a dream vacation, a child's college tuition, or retirement. Using the Rule of 72, you can realize the power of compounding interest and better plan for future financial goals.

The Power of Compounding Interest



If $5,000 was invested with an annual growth rate of 10%, the original investment would double to $10,000 in 7.2 years.

After 7.2 years $10,000 doubles to $20,000.

7.2 years after that $20,000 turns to 40,000.

That's more than 7 times the original investment in 21.6 years!

How can I calculate it?

Below are two options for calculating the Rule of 72. You can calculate it yourself in Section A, or you can use the tables in Section B as a handy reference.

A) Manual calculation:

1. Take 72
2. Divide by the expected growth rate (example: 5% = 5)
3. Equals the number of years in which an investment will double

72 ÷ ______________ **=** ______________

B) Use the charts:

Growth Rate	Years to Double
1%	72
2%	36
3%	24
4%	18
5%	14.4
6%	12
7%	10.3
8%	9
9%	8
10%	7.2

Growth Rate	Years to Double
11%	6.5
12%	6
13%	5.5
14%	5
15%	4.8
16%	4.5
17%	4.2
18%	4
19%	3.8
20%	3.6

Growth Rate	Years to Double
21%	3.4
22%	3.3
23%	3.1
24%	3
25%	2.9
26%	2.8
27%	2.7
28%	2.6
29%	2.5
30%	2.4