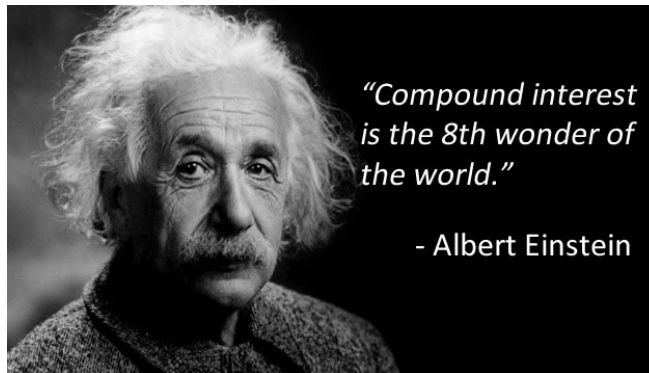


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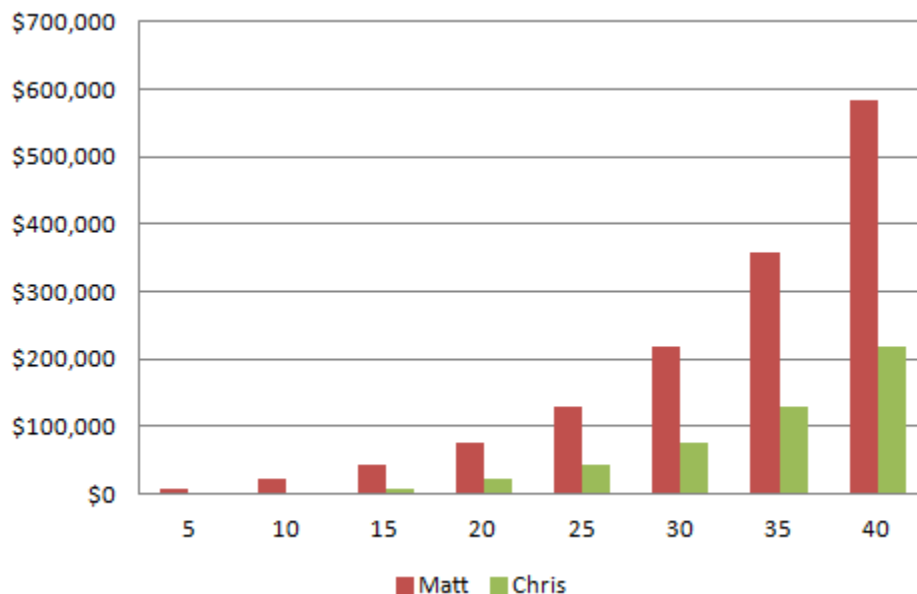
### Compounding Interest: The 8th Wonder Of The World

When should you start investing? Yesterday is one of the best answers we can think of. As Einstein suggested in his quote, compounding interest can be extremely powerful for investors over time. Compounding interest essentially means "interest on interest," and it's why so many long-term investors have been successful.

"Yes, investing can be volatile, and periods like December 2018 can make it quite tough, but if you are saving for retirement and have potentially decades to go until retirement, one of the best things you can do during periods of market stress is nothing," explained LPL Financial Senior Market Strategist Ryan Detrick. "By 'nothing' we mean you should stick to your financial plan."

#### Case Study

At the age of 20, Matt started saving \$1200 a year in an investment that is expected to return 10% per year. Matt's friend Chris waits till age 30 to start putting away \$1200 a year, earning the same 10% interest at Matt. Let's look at how much each has saved by the time they are 60.



By the time he is 60, Matt has accumulated just over \$580,000 compared to Chris' \$217,000. Matt only invested \$12,000 more into savings over the 40 years, but it was the power of **compound interest** over that time that made the difference.



# 401(K) BUZZ

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As the above example illustrates, by dollar-cost averaging into a retirement plan through the ups and downs of markets and over a period of years and decades, your nest egg has significant growth potential thanks to—among other reasons—the effect of compound interest on the earnings.

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Investing involves risks including possible loss of principal. No investment strategy or risk management technique can guarantee return or eliminate risk in all market environments.

Dollar cost averaging involves continuous investment in securities regardless of fluctuation in price levels of such securities. An investor should consider their ability to continue purchasing through fluctuating price levels. Such a plan does not assure a profit and does not protect against loss in declining markets.

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