Name: _____

The Rule of 72

Let's say you saved up $2,500.00 and decide to put it in a savings account at the bank. Your account earns 3% interest. After 10 years, you would expect to have earned $750 in interest. However, you would actually earn much more than that because of compound interest.

Here are the calculations. As you can see, at the end of the 10 years, you would have earned $859.79 in interest, bringing your balance to $3,359.79!

Principal	3% Interest	Balance
$2,500.00	$75.00	$2,575.00
$2,575.00	$77.25	$2,652.25
$2,652.25	$79.57	$2,731.82
$2,731.82	$81.95	$2,813.77
$2,813.77	$84.41	$2,898.19
$2,898.19	$86.95	$2,985.13
$2,985.13	$89.55	$3,074.68
$3,074.68	$92.24	$3,166.93
$3,166.93	$95.01	$3,261.93
$3,261.93	$97.86	$3,359.79

Let's say you wanted to double your money. How long would it take you? There's an easy calculation to figure help you figure that out. It's called 'The Rule of 72'. You take 72 and divide it by the interest rate. The answer is how long it will take you to double your money. Using the example above, it would take you 24 years to double your money at 3% interest (72 ÷ 3 = 24). That can seem like a long time, which is why it's important to pay attention to interest rates.

Below are some other interest rates. Calculate how many years it will take to double your money if you had $100.

Investment	Interest Rate	Years to Double
Savings Account	4%	
Certificate of Deposit	6%	
Certificate of Deposit	7.75%	
Money Market Account	8.5%	
U.S. Treasury Bond	12%	

Source: Financial Fitness for Life, Grades 9-12, Lesson 20