Video transcript

Solutions

The power of compound interest.

Put simply, compound interest generates more money when the interest earned on your investments is reinvested. It’s interest on top of interest. And that means your savings can compound or grow, faster over time.

Here's how it works:

Let’s say you invest $250 a month into your retirement account until you turn 65, with an average 3 per cent annualized rate of return, compounded yearly. If you started saving when you were 45, you could have $81,713. If you started ten years earlier, you could have $144,678 and if you started 20 years earlier, you could have $229,297! Starting early and investing often is the key to making compound interest work for you.

The longer your money stays invested, the greater the effect of compound interest. Let’s look at investing a lump sum and leaving it for 30 years. A lump sum of $2,600 with a 3% annual rate of return, compounded yearly, could grow to $6,311 after 30 years.

Starting early, making regular contributions and staying invested can help you maximise the power of compound interest.

Speak to your advisor about planning for your future, today.

Manulife

change frequently and past performance may not be repeated. in value. Any amount that is allocated to a segregated fund is invested at the risk of the contract holder and may increase or decrease in value.