

June 27th, 2023

Hello  ,

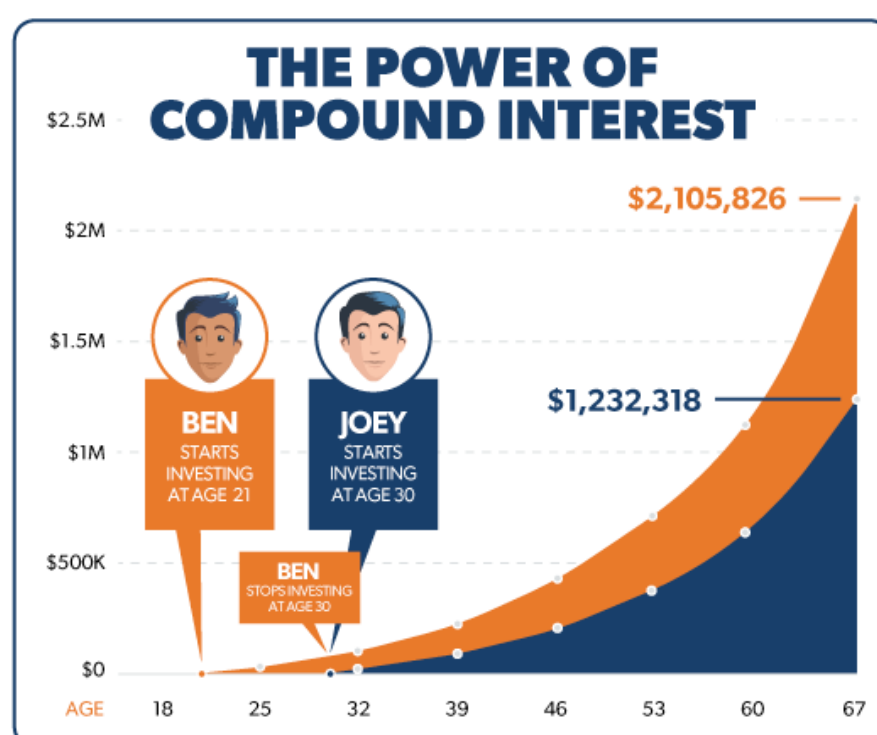
The cumulative return for the U.S. “stock market” (S&P 500) over the past 30 years is about +2,559%, an average of +11.2% per year. But wait, how does that math even work? If you take 11.2% and multiply it by 30 years, you'd expect 336%.

2,559% is almost 8X higher than 336%!

This is the power of the phenomenon of compounding. Compound interest is when your investment interest also earns interest. Benjamin Franklin explained it best when he said, “Money makes money. And the money that money makes, makes money.”

“I think people don’t understand compound interest because typically no one ever explains it to them and the level of financial literacy in the US is very low.”  
— [James Surowiecki](#)

The power of the compounding effect over many years can’t be substituted by trying to catch up later. Your biggest asset as an investor is TIME. In fact, how early you begin investing is more impactful than the amount you invest. Check out this graph and case study from Dave Ramsey below as an example of that:



**Ben:**

- Starts investing at age 21
- Invests \$2,400 every year
- Stops contributing money at age 30
- Total amount contributed: **\$21,600**

**Joey:**

- Starts investing at age 30
- Invests \$2,400 every year
- Contributes money until age 67 (a total of 37 years!)
- Total amount contributed: **\$88,800**

At age 67, Ben’s investment has grown to over **\$2.1 million**, and Joey’s has grown to more than **\$1.2 million**! Nine years made a difference of close to **\$1 million** (for this example, the stock market avg of 11% was used).

Compound interest even works when the first few years of your investing journey is bumpy. Over time, history shows that your returns smooth themselves out and you take advantage of compound growth. The investment decisions you make today will determine your cash flow and net worth 10+ years from now. Make sure your future self is looking back with gratitude for what you’re doing right now!

If you’d like a second set of eyes to review your financial life, let our [PACIFIC CAPITAL](#) team know. [Click here](#) to schedule a call.

Ps. Here’s a good article called [“The Life-Changing Magic of Compound Interest.”](#)

P.p.s. Check out our 3 newly-released episodes of [“The Smart Money Parenting Show”](#) this week!

Sincerely,



SCHEDULE A CALL

REFER SOMEONE



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