



# Is it Too Late to Start Investing? Why Bother?

by Cullen Douglass, CFP®

Albert Einstein supposedly said the eighth wonder of the world was compound interest. Experts disagree on whether he actually said this or not. Either way, compound interest is quite a wonder. It's basically the addition of interest on the principal sum of the loan or deposit; in other words, interest on interest. The magic is the passive nature of interest on interest. Here's a simple example of how it works. Let's say you invested \$100,000 and left it for 10 years at an average annual return of 8%. After 10 years it would be worth \$215,892\*. That's the power of interest compounding on interest over time.

The knowledge of compounding interest can propel a person to start saving. It can propel a young couple to start saving for retirement. It can propel a new parent or grandparent to set up a college fund. It can also have the opposite effect and propel people to quit trying. What if I'm too old or it's too late to start? Simply put, I missed out in the past and can never make it up. It's hard to argue with this logic. If you look purely at who started first, it's almost impossible to make up for lost time.

If your child came to you with a similar problem, how would you advise them? Would you tell your son or daughter to throw in the towel? Would you tell them they had lost and could never catch up? Would you validate their feelings and cry with them or would you push them to see things differently? Would you tell them sometimes it's better to be the tortoise than the hare? Would you tell them now is the ideal time to get started? Would you tell them sooner rather than later still applies? Sometimes the simple advice we give our children still applies to ourselves. Start saving now, because it's never too late.

\* This is a hypothetical representation, and not a guarantee of this return on investment. All investments carry some level of risk including the potential loss of principal invested.

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