Retirement Planning Services

The Power of Compounding

Jack and Jill and the Importance of Starting Your Retirement Planning Early

Young workers don't always have retirement on their minds as they begin their careers. But a little early planning at the start can go a long way when those same workers cross the retirement finish line.

Educate your younger workers about the importance of starting their retirement planning early in their careers. The earlier employees start to save, the more their money works for them due to the compounding effect using the time value of money. The Power of Compounding chart provides an example.

The Power of Compounding

Even though Jack had 50 percent more taken out of his paycheck over his career, Jill's final account balance is higher – assuming they both earned the same investment return. Why does this occur? It's due to the compounding effect which occurs because Jill started saving earlier.

Use Jack and Jill as an example to your younger workers about how saving now will benefit them in the long run.

Assume that Jill and Jack are both 25 years old and Jill saves $50 per pay period immediately versus Jack who waits 10 years and saves $100 per pay period.

	Jill	Jack
Annual contributions	$1,300	$2,600
Total contributions to normal retirement date	$52,000	$78,000
Value at age 65 assuming an annual 7 percent investment return	$268,622	$254,191

Christian Brothers Services

For more information on retirement planning, contact Retirement Planning Services at Christian Brothers Services, at 800.807.0700.