

## Rule of 72

$$\frac{72}{\text{INTEREST RATE}} = \text{YEARS TO DOUBLE INVESTMENT}$$

The Rule of 72 is a way to quickly calculate the effects of compound interest.

For example, if you are earning 8% on your investments, divide 8 into 72.  
Every 9 years your investments will double. (72 divided by 8 = 9)

It also works for debt. If you are paying 15% interest on credit cards and you do not pay off the card each month, every 4 years and 8 months you will have repaid the amount of debt you initially charged.

Compounding interest can be a very powerful tool but also very dangerous when it is working against you.