

The Rule of 72

How many years will it take to *double* your money?

(TAXABLE *vs.* TAX-DEFERRED INVESTING)

12
YEARS
TAXABLE

\$100,000	Starting Investments
9%	Rate of Return
33%	Tax Rate
33%	Tax Rate on 9% = 6% net

72 / 6% = 12 YEARS

\$100,000	Start
\$200,000	12 Years
\$400,000	24 Years

8
YEARS
TAX-DEFERRED¹

\$100,000	Starting Investments
9%	Rate of Return
33%	Tax Rate
0%	Tax Rate on 9% = 9% net

72 / 9% = 8 YEARS

\$100,000	Start
\$200,000	8 Years
\$400,000	16 Years
\$800,000	24 Years

The “Rule of 72” allows you to calculate how long it takes for a sum of money to double at any given rate of return. Simply divide 72 by the rate of return for the approximate number of years required to double your money.

The above illustration is for hypothetical purposes only.

¹Taxable distributions (and certain deemed distributions) are subject to ordinary income tax, and if taken prior to age 59½, may be subject to a 10% federal income tax penalty. Early surrender charges may also apply.

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The *Inverse* Rule of 72

How many years will it take for your money to be worth *half* its original value?

(UNDERSTANDING THE EFFECTS *of* INFLATION)

$$72 / 4\% = 18 \text{ YEARS}$$

You'll need to **double** your income about every 18 years to maintain your current purchasing power.

The “Inverse Rule of 72” allows you to calculate how long it takes for a sum of money to decrease by half at any given rate of inflation. Simply divide 72 by the rate of inflation for the approximate number of years your income has to double.

**Example:
James**



James' age at retirement.....age 60
 Annual income James needs today.....\$30,000
 Projected life-expectancy in retirement.....22 years*
 Assumed inflation rate.....4% inflation

James Age	What James' income needs to be to keep pace with inflation ¹	What \$30,000 will be worth because of inflation
Age 60	\$30,000	\$30,000
Age 70	\$44,407	\$19,945
Age 78	\$60,774	\$14,388
Age 80	\$65,734	\$13,260

This illustration is for hypothetical purposes only and not indicative of future results.

*Source: National Vital Statistics, April 2006.

¹ Assumes reinvestment of income and no transaction costs or taxes.

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