



You're never too young to start

It was probably David Chilton, the author of the best-selling book entitled *The Wealthy Barber*, who got people thinking about just how far a few dollars could go if you started investing them early enough. His mantra was "start early and contribute regularly."

The moral of his story is as relevant as ever: Don't wait until you're middle-aged and financially secure to start putting money aside for your retirement. The sooner you start, the more money you'll have by the time you retire, thanks to the power of compounding.

Nothing demonstrates this more dramatically than some simple math. One dollar invested today, assuming an annual rate of return of 8 per cent, will be worth \$2.16 in 10 years. In 20 years, it will be worth \$4.66.

DOUBLE YOUR MONEY

If that doesn't seem dramatic, consider how it illustrates a basic but beautiful principle. At a regular annual return rate of 7.1 per cent, your money doubles every 10 years.

That's because as the years go by, your returns begin to generate returns as well.

Now suppose you invested \$1,000 today instead of just \$1. With an annual rate of return of 8 per cent, in 10 years you would have \$2,160, and in 20 years \$4,660, even if you never invested another dime again in that entire time frame.

Since most people do make subsequent contributions, let's look at a more realistic example. Suppose you invest \$100 a month in an RRSP, and you do that continuously for 20 years. Using a rate of return of 8 per cent, after 20 years you would have accumulated almost \$60,000.





THE CHART BELOW SHOWS YOU A FEW SIMPLE SCENARIOS.*

Age at time of investment	Amount invested annually	Amount saved by age 55	Amount saved by age 65
18	\$ 1,200	\$ 283,874	\$ 631,637
25	\$ 1,200	\$ 158,890	\$ 361,807
35	\$ 1,200	\$ 64,901	\$ 158,890
18	\$ 5,000	\$ 1,182,808	\$ 2,631,821
25	\$ 5,000	\$ 662,043	\$ 1,507,528
35	\$ 5,000	\$ 270,420	\$ 662,043

*All calculations assume an 8 per cent annual rate of return

THE EARLY BIRD WINS THE GAME

The chart shows how difficult it is to catch up after a late start. In the above scenarios, it's extremely difficult for an investor beginning at age 25 or 35 to ever catch up with the investor who started at 18, assuming everyone contributes similar amounts each year.

The most dramatic comparison is probably between the first and last lines on the chart. A 35-year-old just beginning to invest will need to contribute *four times* what the younger investor does, *every year for the next 30 years*, just to end up with the same amount in the end.

If you're young and just starting out, time is on your side, so make the most of it.

Compliments of:

Manulife and the block design are registered service marks and trademarks of The Manufacturers Life Insurance Company and are used by it and its affiliates including Manulife Financial Corporation. The information contained in this article is not intended nor should it be considered as providing specific legal or tax advice. Individuals should consult with their professional advisors to ensure that any information provided is applicable and appropriate to their specific situation. Commissions, trailing commissions, management fee and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. The rates of return are used only to illustrate the effects of the compound growth rate and are not intended to reflect future values of the mutual fund or returns on investment in the mutual fund.

www.manulife.ca/investments

 **Manulife Investments**
With you every step of the way.™