


The Joys of Compounding



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What happens if you fold a piece of paper 45 times?

HOW FOLDING PAPER CAN GET YOU TO THE MOON



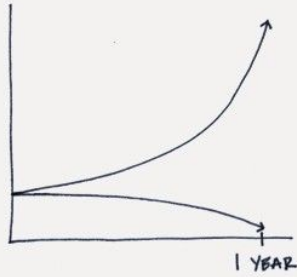


**What happens if we get 1% better
everyday?**

THE POWER OF TINY GAINS

1% BETTER EVERYDAY $1.01^{365} = 37.78$

1% WORSE EVERYDAY $0.99^{365} = 0.03$



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**What is common between folding
a paper and getting better
everyday?**

Do you remember your 7th grade math?

The diagram shows the compound interest formula $A = P(1 + \frac{r}{n})^{nt}$ on a light blue background. Red arrows point from labels to the corresponding parts of the formula: 'Amount' points to 'A', 'Principal' points to 'P', 'rate of interest' points to 'r', 'number of times per year, interest is compounded' points to 'n', and 'time in years' points to 't'. The entire formula is enclosed in a rounded rectangular box.

Amount

$A = P(1 + \frac{r}{n})^{nt}$

Principal

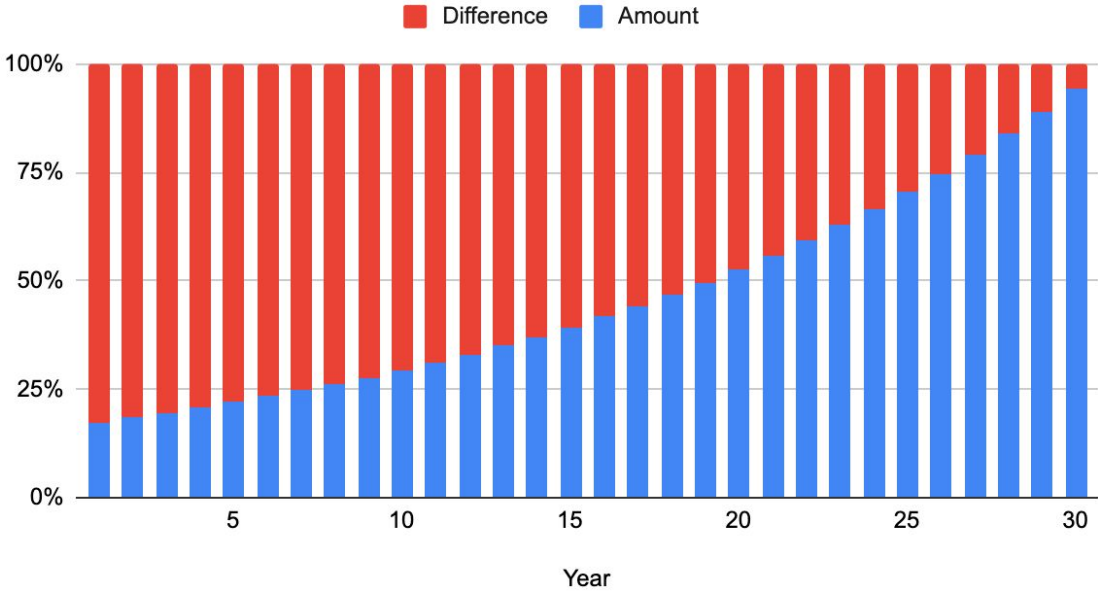
rate of interest

time in years

number of times per year, interest is compounded

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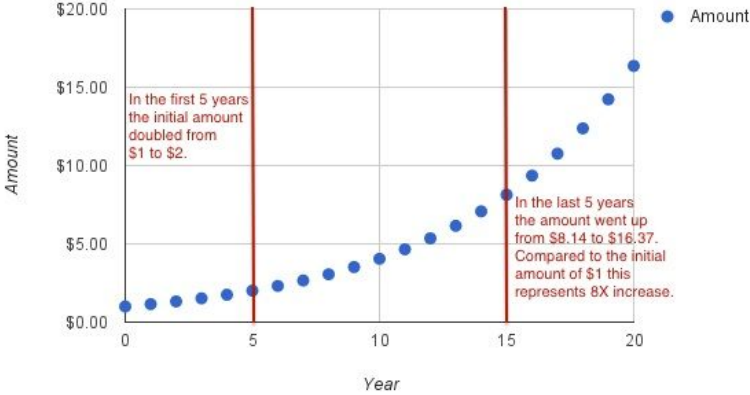
The magic of compounding



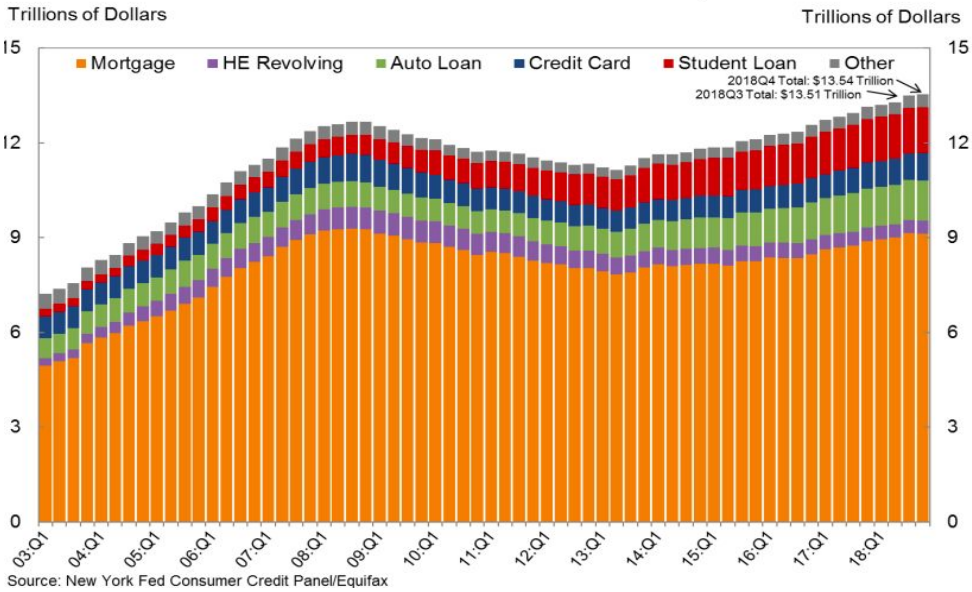
$$\frac{72}{\text{Rate of Return}} = \text{Time for Investment to Double}$$

Compounding is backloaded

Compounding at 15% per annum

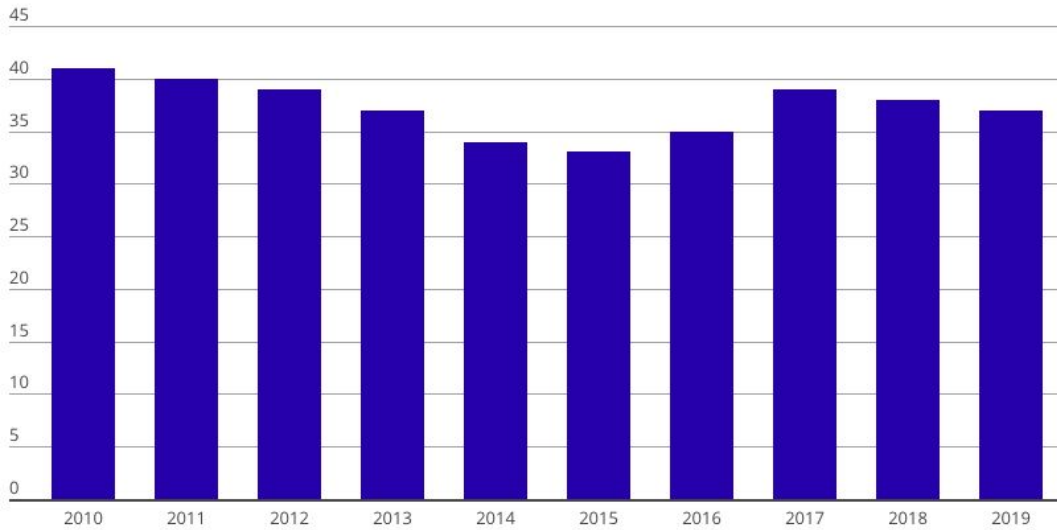


Total Debt Balance and its Composition



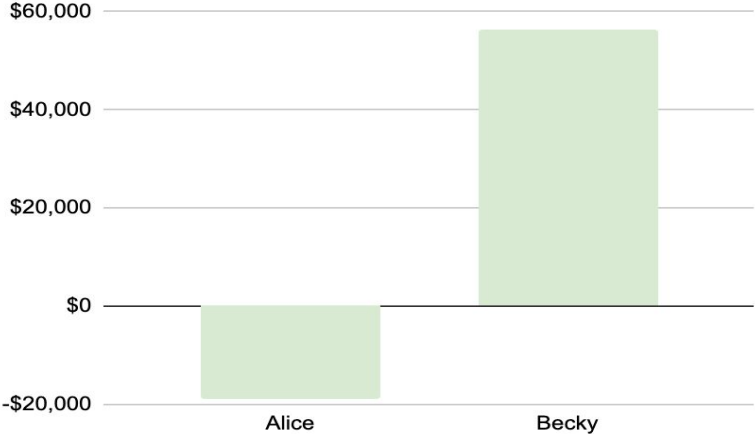
US credit card balance is \$870 billion.

Percentage of households revolving credit card debt



Card issuers divide the world into two groups: “transactors” who use their cards for purchases and pay off the balances each month; and “revolvers” who carry balances on their cards, paying interest charges month to month.[source: [creditcards.com](https://www.creditcards.com)]. Few other sources include: [How is APR calculated](#) and [Credit card payoff calculator](#)

Credit card debt kills your compounding





Spend less than you make; always be saving something. Put it into a tax-deferred account. Over time, it will begin to amount to something. This is such a no-brainer.

— *Charlie Munger* —

AZ QUOTES

The Simple Path to Wealth

YOUR ROAD MAP TO FINANCIAL INDEPENDENCE
AND A RICH, FREE LIFE



JL COLLINS

with foreword by

MR. MONEY MUSTACHE

Thank You

