TOBIN
FINANCIAL

# TURBO-CHARGE YOUR INVESTMENT WITH THE POWER OF COMPOUNDING

With time and patience, compounding can give your saving or investment efforts a massive boost. Find out more about this little-known financial marvel...

When it comes to saving and investing, the key to making serious money is to start as early as you can. Why? Because the sooner you begin, the more time your money has to benefit from a phenomenon known as 'compounding' – reportedly once called 'the Eighth Wonder of the World' by a certain Mr A. Einstein.

## HOW COMPOUNDING WORKS

Often known as 'compound interest' or 'compound returns', depending on whether you're saving or investing, compounding works a lot like a snowball rolling down a mountain. While we may start off with a small, fist-sized ball, we can end up with something much bigger as it gradually gains momentum.

## START NOW TO MAKE THE MOST OF COMPOUNDING

Whether you're saving or investing, the phenomenon of compounding can really help your money grow. As we've seen above, however, you need to give it plenty of time to allow it work its magic – so if you can, it pays to start sooner rather than later. As the saying goes, the early bird catches the worm. Or in this case, the returns.

### HERE'S HOW THE CONCEPT WORKS IN PRACTICE...

- Let's say you put some money into a bank savings account.
- **After a year**, you'll have earned interest on that original sum.
- **In the second year** you earn interest on both your original capital **plus** the first year's interest.
- **Then in the third year**, you earn interest on your original capital **plus** the first two years' interest.
- And so it goes on, like a snowball gathering size and speed.

The same thing applies if you're investing – the difference being that instead of earning interest on your interest, you can potentially earn returns on top of any returns you've already earned. Just remember to bear in mind that the value of investments can go down as well as up, and you may get back less than you originally invested. So rather than rolling down the mountain in a straight line, our snowball may have a bumpier ride.

### *Thinking about investing?*

**You can start a Regular Saver with as little as €100 a month, or a lump sum of €5,400.**

**You can start an Investment Bond with a lump sum of €10,000.**

**Warning:**

- The value of your investment may go down as well as up.
- If you invest in this product you may lose some or all of the money you invest.
- These products may be affected by changes in currency exchange rates.

| | 3% per year growth | 5% per year growth | 7% per year growth |
|---|---|---|---|
| **€25 000** | | | |
| Year 5 | €27 602 | €30 416 | €33 455 |
| Year 10 | €30 474 | €37 006 | €44 771 |
| Year 15 | €33 646 | €45 023 | €59 913 |
| Year 20 | €37 148 | €54 778 | €80 178 |
| **€50 000** | | | |
| Year 5 | €55 204 | €60 832 | €66 911 |
| Year 10 | €60 949 | €74 012 | €89 542 |
| Year 15 | €67 293 | 90 047 | €119 827 |
| Year 20 | €74 297 | €109 556 | €160 356 |
| **€75 000** | | | |
| Year 5 | €82 806 | €91 248 | €100 366 |
| Year 10 | €91 424 | €111 018 | €134 313 |
| Year 15 | €100 940 | €135 070 | €179 741 |
| Year 20 | €111 446 | €164 334 | €240 535 |
| **€100 000** | | | |
| Year 5 | €110 408 | €121 665 | €133 822 |
| Year 10 | €121 899 | €148 024 | €179 084 |
| Year 15 | €134 586 | €180 094 | €239 655 |
| Year 20 | €148 594 | €219 112 | €321 713 |
| **€150 000** | | | |
| Year 5 | €165 612 | €182 497 | €200 733 |
| Year 10 | €182 849 | €222 036 | €268 627 |
| Year 15 | €201 880 | €270 141 | €359 483 |
| Year 20 | €222 892 | €328 668 | €481 070 |
| **€200 000** | | | |
| Year 5 | €220 816 | €243 330 | €267 645 |
| Year 10 | €243 798 | €296 048 | €358 169 |
| Year 15 | €269 173 | €360 188 | €479 311 |
| Year 20 | €297 189 | €438 224 | €641 427 |

**Warning:**

- These figures are estimates only.
- They are not a reliable guide to the future performance of this investment.

The above example is hypothetical and does not represent any investors particular experience. The above example excludes the impact of tax.

Returns are less 1% annual management charge.