How do I use the rule of 72 to estimate potential investment returns?

$$\frac{72}{\%} = \text{TIME}$$

RATE OF GROWTH

LENGTH OF TIME UNTIL VALUE DOUBLES

The rule of 72 is best used to estimate compounding periods that are factors of two (2, 4, 12, 200 and so on). This is because the rule of 72 is meant to calculate how long it takes any exponentially growing investment to double in number.

The actual equation is very simple:
72 / (percentage rate of growth)
=Length of time until value doubles

Investment value = $10,000

$$\frac{72}{8\%} = 9$$

RATE OF GROWTH

YEARS

The investment should be worth approximately $20,000 in nine years.*

% RATE OF GROWTH	TIME VALUE DOUBLES
72/2%	36 Years
72/4%	18 Years
72/6%	12 Years
72/7%	10.3 Years
72/10%	7.2 Years

For instance, consider an investment valued at $10,000 with a compounding interest rate of 8%. Using the rule of 72, you can estimate the amount of time until the investment doubles. In this example, your money will double in nine years.

The rule of 72 is most commonly seen in finance as a time value of money calculation, although it has some practical use in biology and physics for various naturally compounding populations. It can also be inverted to find halving times for exponential declines.

The number 72 has many convenient factors, including 2, 3, 4, 6 and 9. This makes it easier to use the rule of 72 for a close approximation of compounding periods.

* Hypothetical example shown for illustrative purposes only. This does not represent the performance of any actual investment product.

INVESTMENT ESSENTIALS

PRACTICAL MATH

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