

What's compound interest and how can it help?

Give your savings a boost.



Series: Let's get back to basics
Complexity: **Beginner**

It's the concept of adding accumulated interest to your original investment at regular intervals (for example, monthly). It means that you steadily earn interest on your original amount, plus on the interest you have already received. This can make a huge difference on your eventual return, particularly over the long term (like in your superannuation).

Take a look at the example, which shows the growth of \$1,000 over a 20 year period. The blue line shows the growth calculated using compound interest, and the grey line using simple interest, which only pays interest on your original investment. See the difference it can make?

The beauty of compound interest is that it makes your money work harder for you and the longer you leave your money invested, the better its effects. What's more, the money in your super fund is already benefiting from compound interest.

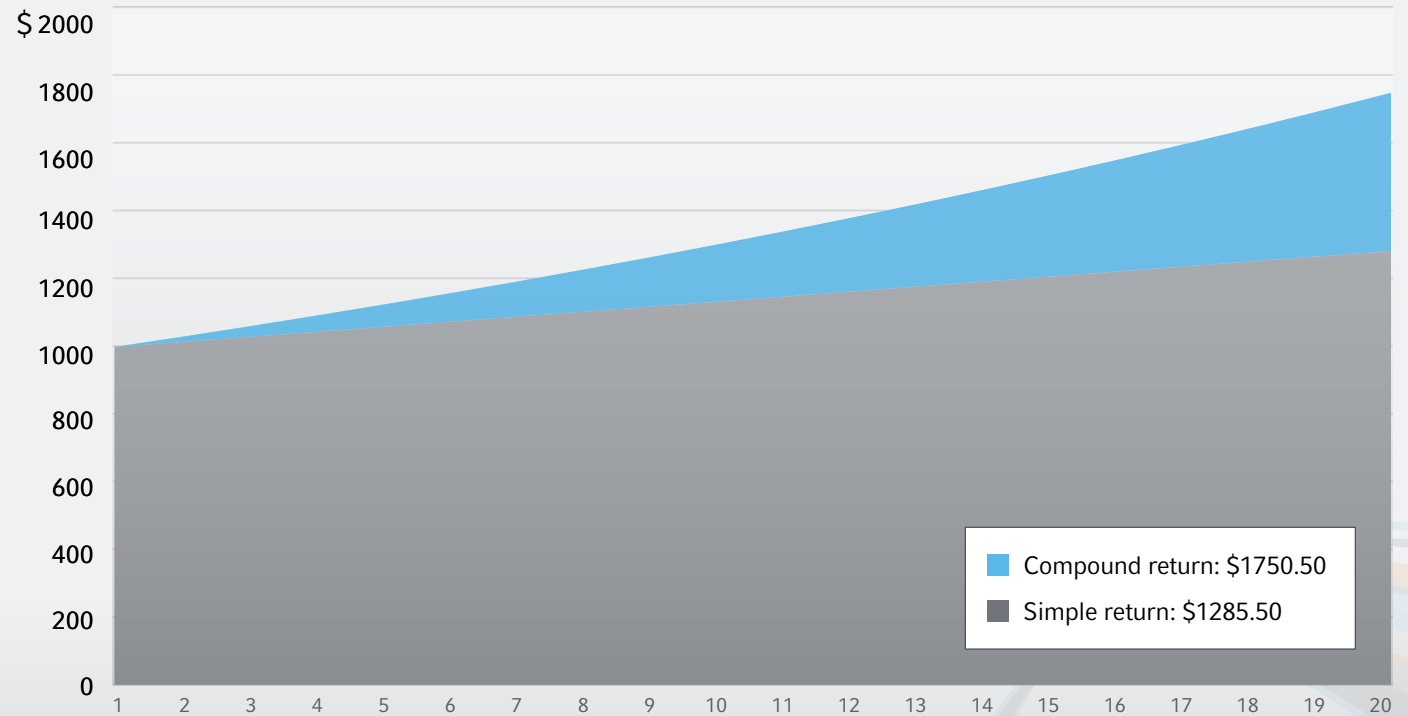


Exhibit 1: The power of compound interest
Growth of \$1,000 over 20 years; calculated at 3% per year.

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Published: **June 2009**

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