This simple formula tells you how long it will take for your money to double—while you sit back and relax

Published Wed, Jan 29 2020 9:01 AM EST • Updated Tue, Feb 4 2020 10:44 AM EST


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"Think about your savings for the future," **Tom Mathews** and **Steve Siebold** write in their book "How Money Works," which highlights the "Rule of 72" as of one of three essential personal finance topics to understand (the other two being compound interest and the time value of money). "The Rule of 72 can give you an idea of how many doubles you'll get in your lifetime. With more time, a lower interest rate may give you enough to nail your goals. With less time, you may need a higher interest rate."

The formula is simple: 72 ÷ interest rate = years to double

Try plugging in various interest rates from the different accounts your money is in, from savings and money market accounts to index and mutual funds.

For example, if your account earns:

1%, it will take 72 years for your money to double (72 ÷ 1 = 72)
3%, it will take 24 years for your money to double (72 ÷ 3 = 24)
6%, it will take 12 years for your money to double (72 ÷ 6 = 12)
9%, it will take 8 years for your money to double (72 ÷ 9 = 8)
12%, it will take 6 years for your money to double (72 ÷ 12 = 6)

If your money sits in a standard savings account and earns just 0.09% (the average interest rate for savings accounts nationwide), it would take 800 years to double.

If you have extra savings, you're probably better off keeping it in a high-yield savings account or certificate of deposit, which both offer significantly higher interest rates, up to 2.69%.

If you invest your money in the stock market, whether through an employer-sponsored 401(k) plan, a traditional or Roth IRA, an individual brokerage account or somewhere else, you'll likely see even bigger returns. The average annualized total return for the S&P 500 index over the past 90 years is 9.8%. Adjusted for inflation, it still comes to an annual return of around 7% to 8%. If you earn 7%, your money will double in a little over 10 years.

You can also use the Rule of 72 to plug in interest rates from credit card debt, a car loan, home mortgage, or student loan to figure out how many years it'll take your money to double for someone else.

For example, the average interest rate for credit cards is 17.3%. If you divide 72 by that rate, you get 4.16 years. That's all it takes for a credit card company to earn a double on your money. The higher the interest rate, the more you'll owe to your lenders.

If you have debt, look into the possibility of refinancing your car loan or mortgage to get a lower interest rate.

The "Rule of 72" is ***"a practical eye opener that forces you to ask shrewd questions before making important money decisions,"*** Mathews and Siebold write.

If you understand and apply it to your personal finances, ***"you're less likely to fall for gimmicky promotions from banks, settle for opportunities that don't give you the advantage, and take on debt that might take forever to pay off."***

Source: https://www.cnbc.com/2020/01/28/what-the-rule-of-72-is-and-how-it-works.html 1/29/2020

Average Bank Interest Rates in 2019: Checking, Savings, Money Market

The average bank interest rate for checking accounts in the United States is **0.06%;** the average bank savings rate is currently **0.09%;** and the average money market interest rate is **0.16%.** According to the Federal Deposit Insurance Corporation (FDIC), money market accounts typically earn the highest rates, followed by savings accounts and interest checking.

Deposit Accounts	National Average Interest Rate
Interest Checking	0.06%
Savings	0.09%
Money Market	0.16%

Applying the Rule of 72

Interest Checking

72 ÷ 0.06% = 1,200 years to double

Savings

72 ÷ 0.09% = 800 years to double

Money Market

72 ÷ 0.16% = 450 years to double

Actual Institutional Examples	Savings
Bank of America	0.03%
BB&T	0.03%
Capital One	1.00%
Chase Bank	0.01%
Citibank	0.04%
HSBC Bank	0.01%
Huntington National	0.20%
PNC Bank	0.05%
Regions Bank	0.01%
SunTrust Bank	0.01%
TD Bank	0.05%
U.S. Bank	0.01%
Wells Fargo Bank	0.01%

When you know how money works, statistics like these don't confuse you —they inform your decisions.

The average savings account rate among U.S. banks is only 0.09% APY. The largest banks, which stick to the traditional brick-and-mortar business model, offer 0.01% APY on their standard savings accounts. At that rate, a savings balance of $10,000 would earn just one dollar per year.

Source: https://www.valuepenguin.com/banking/average-bank-interest-rates 2/18/2020

The S&P 500 average annualized total return for the past 90 years is 9.8%. Yet equity returns come in waves, not in metered doses. The market gets on a roll, overshoots, retrenches, and sometimes just slides sideways. One of the market's more intriguing and mischievous traits is that it rarely produces the long-term "average" return in a given calendar year.

Source: https://www.cnbc.com/2017/06/18/the-sp-500-has-already-met-its-average-return-for-a-full-year.html

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The average APR on new credit card offers held steady at 17.30% according to the CreditCards.com Weekly Credit Card Rate Report.

Source: https://www.creditcards.com/credit-card-news/rate-report.php 2/18/2020

Financial Literacy is knowing how money works.

Or, as the Federal Reserve Bank of St. Louis states: "It means understanding how to earn, spend, save, manage and invest money... Having a strong understanding of financial literacy will allow you to make better financial decisions that can hopefully improve your day-to-day life."