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Advisor Article

Time – An Investor’s Best Friend

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One of the most important assets an investor has is time. This article will focus on the advantages of starting to invest as early as possible, even with modest regular savings contributions. For those who read this and did not (or could not) start saving when they were young, note that it is never too late to start a savings and investment plan.

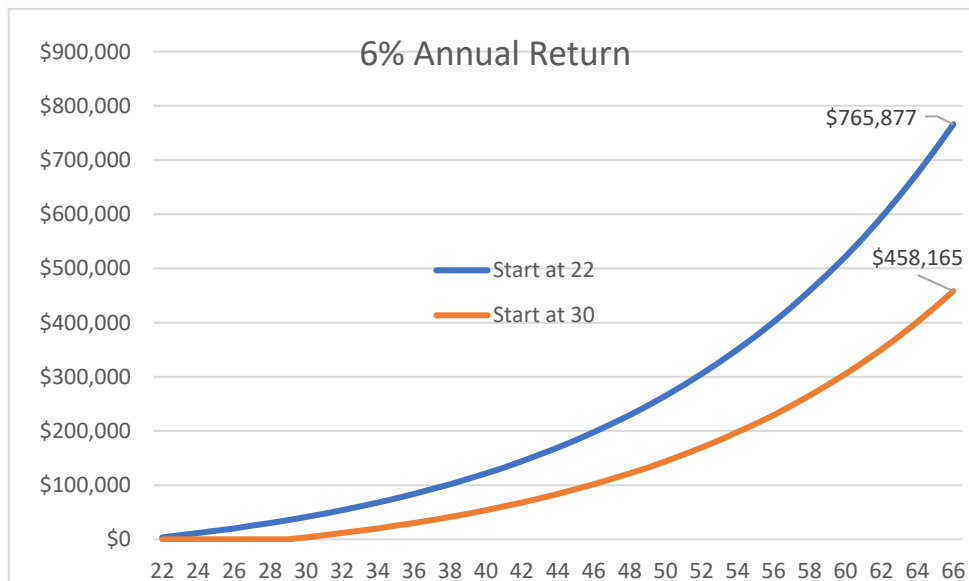
At Eustace Advisors, we encourage anyone with income to create a plan to manage that income as it relates to expenses and to allocate a portion of the income towards savings goals. We encourage starting the habit of saving a portion of an individual's' income as early as possible. This could be a portion of a child's allowance or a teenager's part-time job compensation, a portion of military pay or a college internship, and a portion of the salary from a full-time job.

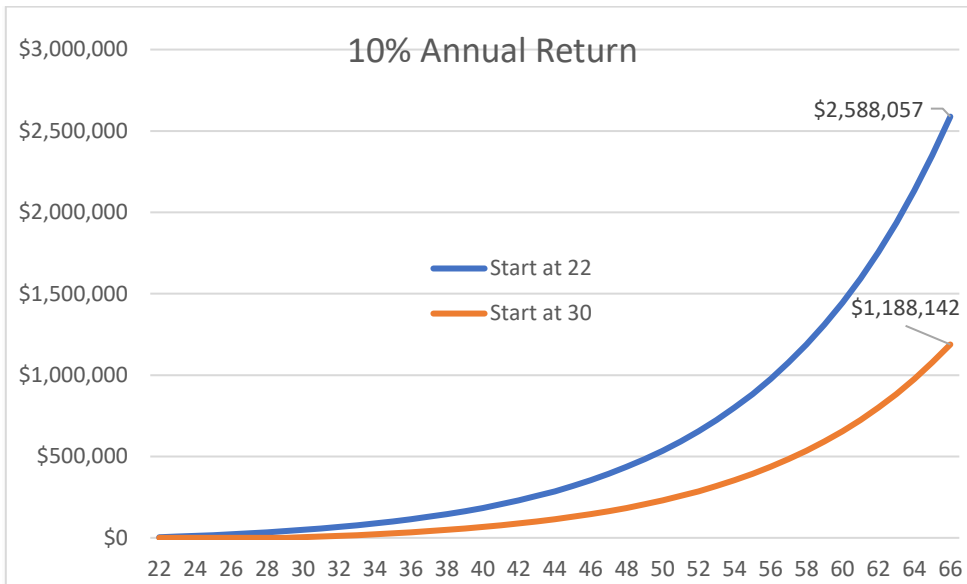
This article will be supplemented by upcoming articles that will explain related topics such as compounding returns and the benefits of tax-deferred and tax-free investment options.

We have found that graphical examples based on realistic scenarios make this message easy to understand. In both sets of examples, we show returns based on the historical average return of the S&P 500 Index (~10% per year), and a more-conservative 6% per year return. The impact of taxes on the investment returns is not reflected in the graphs.

First Example – Saving for Retirement

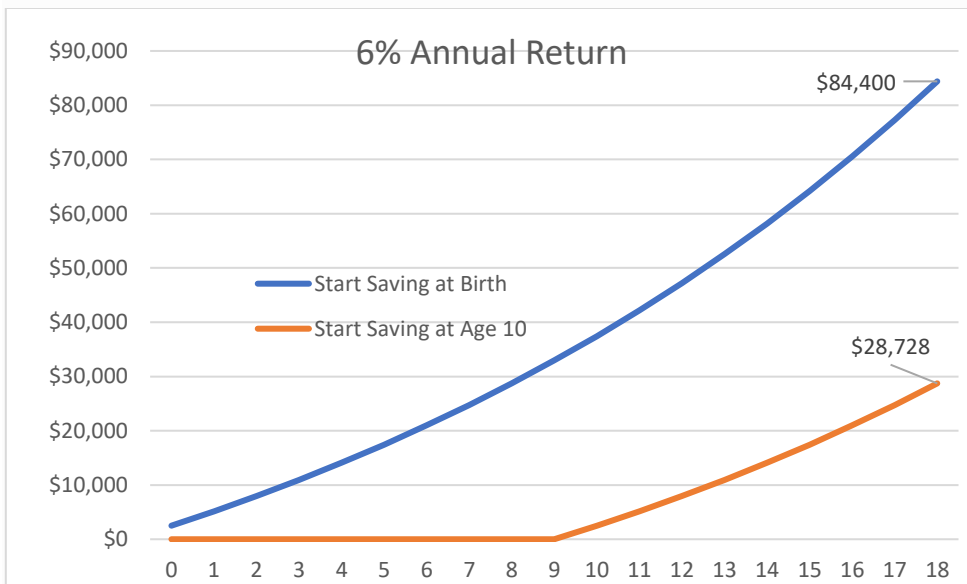
In this example, one individual begins saving \$3,600 per year at the age of twenty-two while the other individual begins saving the same amount of \$3,600 per year when they are 30 years old. The first individual's total contributions are only \$28,800 more than the individual that waits until they turn thirty to begin saving, but due to the effect of starting early and compounding returns, the difference in available funds when they reach retirement age of 67 years old is significant.

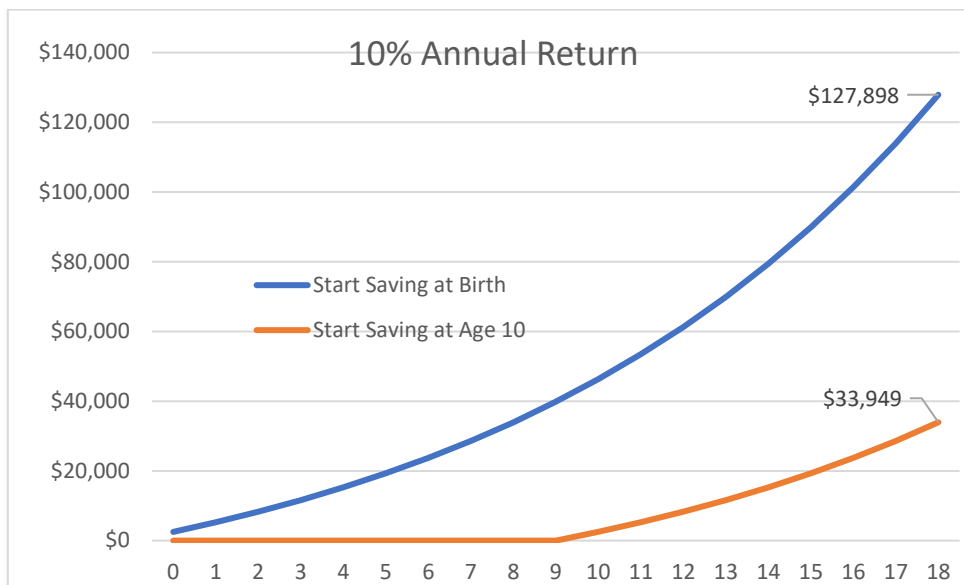




Second Example – Saving for a College Education

In this example, one family begins saving \$2,500 per year at the time of the child’s birth while the other family begins saving the same amount of \$2,500 per year when the child turns ten years old. The first family’s total contributions are \$25,000 more than the family that waits to begin saving, but due to the effect of starting early and compounding returns, the difference in available funds when the child is 18 years old is significant.





In all of these examples, the benefit of starting a savings plan as early as possible to take advantage of compounded returns over time is clearly demonstrated.

You may find it helpful to talk to a financial professional when defining your financial objectives and creating a financial plan to achieve them.

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Resources

<https://www.forbes.com/advisor/investing/compound-interest/>.

<https://www.thebalancemoney.com/the-power-of-compound-interest-358054>

<https://www.investopedia.com/terms/c/compounding.asp>

<https://investor.vanguard.com/investor-resources-education/retirement/savings-when-to-start>

<https://20somethingfinance.com/compound-returns-retirement-savings/>

<https://www.nytimes.com/guides/business/saving-money-for-retirement>

<https://www.ramseysolutions.com/retirement/how-does-compound-interest-work>