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Compounding Magic: Positive or Negative?

We all hear a lot about how assets work for you while you sleep. That's true. If you have money growing for you in a positive direction, you are making money on your money without doing anything and compounding can be magical.

For example, if you have \$10,000 invested at a **6% growth rate**, it can grow to over \$18,000 in 10 years, and over **\$60,000 in 30 years!**

To take it a step even further:

If you have \$10,000 invested at a **9% growth rate**, it can grow to over \$24,000 in 10 years, and over **\$148,000 in 30 years!**

But the opposite is also true. Debts can work against you while you sleep, and you need to pay off and avoid high-cost debt as quickly as possible or "reverse compounding" can lead to financial ruin. In fact, 55% of Americans don't pay the full amount of their credit card debt each month.

For example, if you have \$10,000 of credit card debt growing at an invested at an **18% interest rate**, and you pay the minimum payment of around \$175 per month, you ultimately will end up paying **\$12,872 in interest over 10 years** to pay it

off, **plus the \$10,000 you originally owed, so the total is \$22,872!**

But that is not the real total cost of credit card debt. Because not only are you paying the original loan balance, and the interest, but you are also paying the **opportunity cost of not having that money growing for you during that time like in the previous examples above!**

So, over a 10-year period, you are paying \$22,872 with the loan balance and interest on the credit card, but also ultimately paying \$24,000 in money could have gained



if it was invested and growing at 9%. So, the real cost of the \$10,000 in credit card debt can total to \$46,872!

Control debt before it controls you!

To expand upon this further, here are some simple tips to live by:

1. Before investing pay down high interest credit card debt. (Unless you have the opportunity get a match in a retirement plan like a 401k – at least put in to capture that).
2. Establish an emergency reserve fund

3. Loved ones need money if you die – get some life insurance
4. Insure your ability to earn (disability insurance) and big assets (like your home)
5. Pay yourself first, investing in any plan with a match
6. Focus on your goals, not on keeping up with your friends
7. Invest part of every check, even if it's a small amount
8. Diversify investments enough to ensure financial security

Start today! 🚀

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