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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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