Rule of 72

If you are investing your money, you may try to estimate how much interest you will earn over the term. There is an easy way to estimate how long it will take you to **double** your investment **if** it is **compounded annually.**

It is called the rule of 72.

The approximate time in years is calculated by dividing 72 by the interest rate expressed as a percent.

$$Years\ to\ Double = \frac{72}{interest\ rate\ as\ a\ \%}$$

Example 1:

How long do you estimate it will take an investment of $5000.00 invested at a rate of 3.75% per annum (year), compounded annually, to double in value?

Example 2:
Doug invested $2,500 into a Certificate of Deposit earning 6.5'0 interest. How long will it take to double Doug's investment?

Example 3:
The average Stock Market return since 1926 has been 11%. According to the Rule of 72, how often will an individual's investment double in that time?

You Try:

Use the rule of 72 to estimate how long it would take the following investments to double in value.

1. $6000 invested at 4% per annum, compounded annually.

2. $1000 invested at 2.45% per annum, compounded annually.

3. $1000.00 invested at 1.95% per annum, compounded annually.

4. If you want to double your money in 15 years, at what rate of interest would you need to invest your money?

5. Jessica has a balance of $2,200 on her credit card with an 18% interest rate. Her credit card company doesn't require a minimum payment on the balance (unheard of) and does not assess any late charges (also unheard of). If Jessica chooses not to make any payments on her outstanding balance, how long will it take for her balance to double?