

TRS FINANCIAL AWARENESS VIDEO SERIES

VIDEO #11: Compound Interest

Transcript

NARRATOR: Meet Jordan. Jordan is a middle school math teacher. He's been a TRS member for 6 years.

One weekend, Jordan goes to an arcade with his younger brother, Chris. Chris, who is 25 years old, has told Jordan that he isn't worried about saving for retirement yet - he'll have plenty of time to save later. Jordan wants to show Chris how the power of compound interest can help him score BIG in the future - if he starts saving now.

JORDAN: Hey Chris! Check out this game. It's all about the power of compound interest. In this game, you're 25 years old, and you start saving for retirement now. You save \$250 a month for 40 years, until you retire at 65. Now for the fun part. Your account earns 6% each year, and your retirement savings grow to almost half a million dollars. That's almost \$380,000 in compound interest. Nice score!

Now, what happens if you wait until next year to start saving, and only save for 39 years? Aw, man. By waiting for just one year, you lost almost \$30,000 in compound interest. What if you wait five years to start saving? Man! You lost over \$125,000 in compound interest! And if you wait ten years? You lost over \$215,000. OUCH.

You see, for every year you put off saving at the beginning of your career, you lose a year of compound interest at the end of your career - and since compound interest is exponential, the LAST years are when your savings can grow the most. No matter how you play the retirement savings game, the secret to scoring the most compound interest is always TIME. And that's why it's so important to start saving early.

NARRATOR: If you've been putting off your retirement savings, now's the time to take control. Use the time you have left before retiring

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to your advantage and increase your contributions as much as possible. The more compound interest you earn on your savings, the closer you'll be to a financially secure retirement.

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