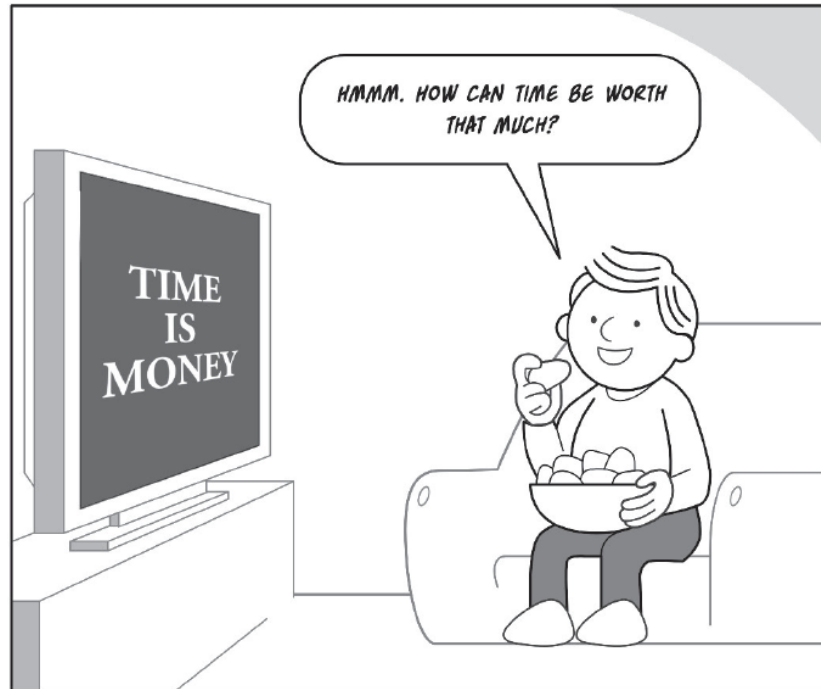


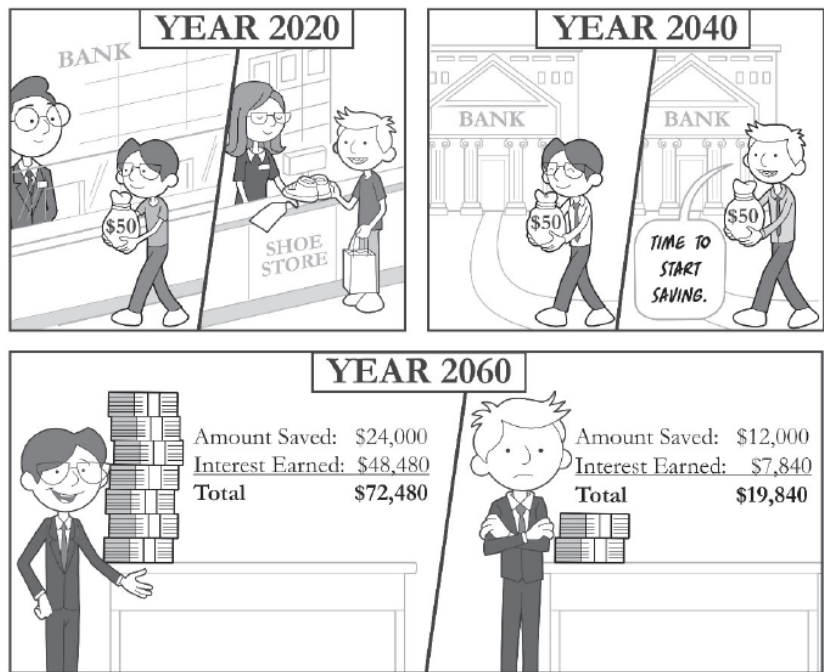
Lesson #23: Put Time on Your Side



Kids like you are in a great position to greatly benefit from the power of compounding interest because you have more time than adults to make your money grow. The sooner you start saving and investing, the higher the reward you will reap. When you start to save and invest early, you are giving your money more time to grow. The power of compounding can help your money earn more when you give it more time to grow.

To help you understand how time affects your money, let us illustrate how saving early can work well for a young person versus saving at a later time.

Ben started to save in 2020, whereas George was happy spending all the money he got. Ben saved \$50/month, which he put in a bank that pays 5% compounding interest. After 20 years, George finally realized the importance of saving for the future, so he also started to save \$50/month and put it at the same bank that pays 5% interest. Both of them continued to save \$50/month for another 20 years. This is where their investments stand after 40 years:



Lessons on Saving and Investing

As you can see, Ben was able to save twice the amount of money than George (\$24,000 vs. \$12,000). What is more amazing is that Ben's investment made a lot more money than George's investment (\$48,480 vs. \$7,840) because Ben utilized the power of time and compounding interest. Ben is in a much better financial position, all because he started **saving and investing earlier** than George. When you combine the power of time and compounding interest, you will have a more secured future waiting for you!

Many people see the importance of saving, yet some are not willing to save. Oftentimes, people's income increases over time, but they also change their lifestyle and spend more, resulting in no savings. Unfortunately, you cannot be financially secure without a willingness to save. Saving is very important because the future can be unpredictable. Having some funds set aside for future use, especially for emergencies, can be a big source of relief when an unexpected expense or an emergency situation arises.

When the coronavirus hit the world in early 2020, many people were caught off guard by this pandemic. Millions of people lost their jobs because all of a sudden, the economy and businesses slowed down. Those who lost their jobs with little savings were unable to support the needs of their families. Some of them had to line up at food banks. It was heartbreaking to see that people who could afford to buy fancy cars and expensive clothes prior to the pandemic became jobless and were unable to pay for their necessities because of the lack of savings.

Finance 102 For Kids

While you are still young, you should develop the good habit of saving and investing. It's very prudent to save at least a third of any money you earn or receive and put it to work for you. When you carry this habit of saving regularly into adulthood, saving will not be as difficult as it seems because you already have a good system in place and the discipline to make smarter choices.