Saving Early & Letting Time Work for You

In 1964, The Rolling Stones released the hit single, "Time Is on My Side." Who knew they were talking about personal finance? What does it mean to put time on your side? To The Rolling Stones, it was a song about confidence and patience with love. To investors, it's about confidence and patience when investing for long-term goals, such as retirement.

As a young investor, you have a powerful ally on your side: time. The earlier you start saving, the more opportunity your investments have to increase in value.

The power of compounding. Many people underestimate it, so it is worth illustrating. Let's take a look at the long-term performance of an investment account using a hypothetical 5 percent rate of return.

How does it work?

A simplified example goes like this: If you were to start with a $1,000 principal in an account that earns 5 percent interest per year, and contribute $1,000 a year to the account, you would end up with **$69,671** after thirty years, with **$16,511** earned in compound interest from **$30,000** in contributions. That compounding continues, even if you stop making deposits.[1]

The 30-Year Snowball Effect

$1,000/year · 5% annual return · No starting balance

The Power of Starting Early: Let Time Do the Heavy Lifting

When it comes to building wealth, most people focus on how much they can save and the kinds of returns they can earn. While those are important, there is a third factor that is often much more powerful: **Time**.

The math of compound interest rewards those who start early, even if they save less in total than someone who starts later. To illustrate this, let's look at two hypothetical investors:[1]

The Early Starter

Contributes $10,000 a year for just **10 years**, then **stops entirely**.

TOTAL CONTRIBUTED **$100,000**
ENDING BALANCE **$850,608**

The Late Starter

Waits 10 years, then contributes $10,000 a year for **30 years straight**.

TOTAL CONTRIBUTED **$300,000**
ENDING BALANCE **$888,298**

Investor Balance Over Time

Hypothetical 6% annual rate of return

The visualization above highlights a startling reality of the financial world: effort does not always equal results. Investor 1 put in a total of $100,000 over a single decade and then let the market do the rest. Meanwhile, Investor 2 contributed $300,000—three times as much capital—over 30 years.

As you can see from the trajectories, Investor 2 spends their entire career playing "catch-up." Even though their total balance eventually edges out Investor 1 by a small margin at age 62 ($888,298 vs $850,608), the "efficiency" of their money is far lower. Investor 1 essentially bought themselves a 30-year head start, proving that in the world of compounding, a small amount of money plus a long time is often superior to a large amount of money plus a short time.

[1] This is a hypothetical example used for illustrative purposes only. It is not representative of any specific investment or combination of investments.