
Sherwood Investment Services

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The Savvy Investor

The Power of Saving Early

Here's an example of the power of saving, and starting earlier. Results are summarized in the table and show that **the sooner you start saving, the fewer years you need to save.**

Smart Saver

Smart Saver starts saving \$3,000 every year, starting at age 20. After 10 years, her \$30,000 total contributions are worth \$47,000 (at an annual growth rate of 8%). At age 30, Smart Saver stops saving and makes no further contributions. She just lets the money grow at an 8% annual rate of return for the next 30 years, until age 60. At age 60, the \$47,000 will have grown to \$472,000.

Late Saver

Her sister, **Late Saver**, waits until age 30 before she starts saving \$3,000 a year. Unlike her Smart Saver sister who stopped saving after 10 years, she doesn't stop saving. She saves *every* year for 30 years, from ages 30 until she is 60. At age 60, her account is worth only \$367,000.

By deferring her savings program for 10 years, Late Saver *never* catches up to Smart Saver. **Late Saver saved three times as long and three times as much. Yet, her account is worth less than 80% of what Smart Saver has at age 60 – all because she waited 10 years to start saving.**

Retirement Years

This isn't even the worst part for Late Saver. The worst part is in the retirement years because she starts her retirement years with 22% less money at age 60.

Smart Saver will be able to withdraw \$42,000 every year for the next 30 years until she is age 90. (She is able to withdraw more than the account was initially worth at age 60 because all money not withdrawn is assumed to grow 8% per year.) **If Late Saver withdraws this same amount every year, her account will be exhausted after only 15 years – by age 75.** (To be fair, we assume that money remaining in her account also grows 8% per year.)

Bottom Line

You can't go back in time and start saving at age 20 if you're now 50. **But starting to save now will give you significantly more at retirement than waiting even one or two years. It's never too late to start. Waiting just makes it harder to achieve your financial objectives.**

We can't make you younger, but we can show you investment opportunities so you might be able to retire comfortably when you want. If you want to know how much you will have for retirement, based on *your* age and savings plan, we'll run the numbers for you. Just contact us.

Saving Early Compared with Starting Later and Saving More

	<u>Smart Saver</u>	<u>Late Saver</u>
Early Years		
Age Investing Starts	20	30
Age Investing Stops	30	60
Total Number of Savings Contributions	10	30
Amount Invested per Year	\$3,000	\$3,000
By Age 30		
Total Invested	\$30,000	\$0
Value at Age 30 (at 8%)	\$47,000	\$0
Between Ages 30 and 60		
Amount Invested per Year	\$0	\$3,000
Total Invested Between 30 and 60	\$0	\$90,000
At Age 60		
Total Invested	\$30,000	\$90,000
Value at Age 60 (at 8%)	\$472,000	\$367,000
Retirement Years		
Annual Withdrawals Beginning at Age 60	\$42,000	\$42,000
Money Will Last	30 yrs.	15 yrs.
Money Lasts Until	Age 90	Age 75