Compound Interest: Rule of 72

“Money makes money. And the money that money makes, makes money.” – Ben Franklin

Compound interest means earning interest on your interest—you can use the Rule of 72 to approximate how long it will take for an investment to double at a given interest rate.

Useful for:

- Comparing investments
- Savings goals
- Retirement goals

How to 72

Divide the rule number (72) by the annual interest rate (R) to find out the approximate time (T) required for doubling (72 ÷ R = T).

For example, 72 ÷ 3 = 24 (72 divided by 3% annual interest rate equals 24 years to double).

Comparing the math

Although scientific calculators and spreadsheet programs have functions to find the accurate doubling time, the Rule of 72 is useful for mental calculations or when only a basic calculator is available.

The takeaway

Use the Rule of 72 to estimate your potential savings. Time is money when it comes to compound interest—the longer you wait to get started, the less interest you'll earn.

Investing can be risky: Not all investments are guaranteed—some investments carry the risk of losing money, even when made through a financial advisor or financial institution.

Sources: All the Math You'll Ever Need by Steven Slavin, BetterExplained.com