Rule of 72

With enough time and the right rate of return, compound interest has the power to turn small amounts into increasingly larger amounts. The Rule of 72 allows you to answer two questions:

- How long will it take my money to double if I earn X% rate of return?
- If I wish to double my money in X years, what rate of return must I earn?

Rule of 72 - Rate of Return Known

When you know the rate of return you will earn, divide 72 by that rate of return to determine how long it will take to double your money. If, for example, you assume an 8% rate of return, it will take 9 years to double your money (72 ÷ 8 = 9 years).

	Assumed Rate of Return:											
	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%
Years to Double Money	72	36	24	18	14.4	12	10.3	9	8	7.2	6.5	6

Rule of 72 - Number of Years Known

On the other hand, if you want to double your money in a certain number of years, you can use the Rule of 72 to determine what rate of return you would have to earn in order to achieve that goal. If, for example, you want to double your money in 7 years, you would have to earn a 10.3% compounded annual rate of return (72 ÷ 7 = 10.3% rate of return.).

	Years to Double Money:										
	5	6	7	8	9	10	11	12	13	14	15
Rate of Return Needed	14.4%	12%	10.3%	9%	8%	7.2%	6.55%	6%	5.54%	5.14%	4.8%