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# Save & Invest Even if Money Is Tight

**For millennials, today is the right time**

**IF YOU ARE UNDER 30, YOU HAVE LIKELY HEARD THAT NOW IS THE IDEAL TIME TO SAVE AND INVEST.** Your degree of happiness in your “second act” may depend on some factors you cannot quantify. Here are a few of those factors, as well as the questions they may arise.

**THERE IS ONLY ONE PROBLEM: YOU DO NOT EARN ENOUGH MONEY TO INVEST.** You are barely getting by as it is.

**REGARDLESS, THE SAVING AND INVESTING EFFORT STILL CAN BE MADE.** Even a minimal effort now could have a meaningful impact later.

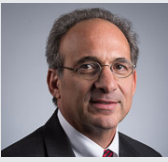
**CAN YOU INVEST \$20 A WEEK?** There are 52 weeks in a year. What would saving and investing \$1,040 a year do for you at age 25? Suppose the invested assets earn 7% a year, an assumption that is not unreasonable. (The average yearly return of the S&P 500 through history is roughly 10%; during 2013-17, its average return was 13.4%.) At a 7% return and annual compounding, you end up with \$14,876 after a decade in this scenario, according to Bankrate’s compound interest calculator. By year 10, your investment account is earning nearly as much annually (\$939) as you are putting into it (\$1,040).<sup>1,2</sup>

You certainly cannot retire on \$14,876, but the early start really matters. Extending the scenario out, say you keep investing \$20 a week under the same conditions for 40 years, until age 65. As you started at age 25, you are projected to have \$214,946 after 40 years – off just \$41,600 in total contributions.<sup>2</sup>

This scenario needs adjustment considering a strong probability: the probability that your account contributions will grow over time. So, assume that you have \$14,876 after 10 years, and then you start contributing \$175 a week to the account earning 7% annually starting at age 35. By age 65, you are projected to have \$1,003,159.<sup>2</sup>

Even if you stop your \$20-per-week saving and investing effort entirely after 10 years at age 35, the \$14,876 generated in that first decade keeps growing to \$113,240 at age 65 thanks to 7% annual compounded interest.<sup>2</sup>

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**HOW DO YOU FIND THE MONEY TO DO THIS?** It's not so much a matter of finding it as assigning it. A budgeting app can help: you can look at your monthly cash flow and designate a small part of it for saving and investing.

**SHOULD YOU START AN EMERGENCY SAVINGS FUND FIRST, THEN INVEST?** One school of thought says that is the way to go – but rather than think either/or, think both. Put \$10 or \$20 (or \$50) toward each cause, if your budget allows. As ValuePenguin notes, many deposit accounts are yielding 0.01% interest.<sup>3</sup>

**IT DOES NOT TAKE MUCH TO START SAVING AND INVESTING FOR RETIREMENT.** Get the ball rolling with any amount today. The power of compounding is there for you to harness. If you delay the effort for a decade or two, building adequate retirement savings could prove to be difficult.

#### **CITATIONS.**

1 - [nerdwallet.com/blog/investing/average-stock-market-return/](http://nerdwallet.com/blog/investing/average-stock-market-return/) [2/28/18]

2 - [bankrate.com/calculators/savings/compound-savings-calculator-tool.aspx](http://bankrate.com/calculators/savings/compound-savings-calculator-tool.aspx) [7/26/18]

3 - [valuepenguin.com/average-savings-account-interest-rates](http://valuepenguin.com/average-savings-account-interest-rates) [7/26/18]

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