

Why starting early matters

Easy · 12 min to read; 10 min with the calculator · Free

Compounding means your returns earn returns, so time matters more than amount. The SEC's numbers, assuming a 7% average yearly return: to reach \$1 million by 65, starting at 18 takes about \$254 a month; starting at 35 takes \$883; at 45, \$2,033. Start with whatever you can, raise it when your pay goes up, and keep emergency money in savings, not investments.

YOU'LL NEED

- ☐ The SEC's free compound interest calculator
- ☐ A rough idea of what you could set aside each month

WHAT TO KNOW

- 1 See compounding in small numbers.** \$100 earning 5% a year becomes \$105 after one year and \$110.25 after two, because year two also earns on the \$5 of interest.
- 2 Leave it alone and it keeps going: more than \$162 in 10 years and almost \$340 in 25, without adding a dime.**
- 3 Know the cost of waiting.** Starting later means you need to invest more of your pay to reach the same goal. See the table below.
- 4 Make it regular.** Investing a set dollar amount or set percentage of your income is how compounding builds; when you get a raise, raise your contribution. See Automating your savings.
- 5 Use the right account.** If your job offers a 401(k) or 403(b), find out how it works and whether your employer matches what you put in. See 401(k), 403(b) and IRAs.
- 6 Keep fees low, because fees compound against you.** In the SEC's example, \$100,000 over 20 years ends near \$208,000 with a 0.25% yearly fee and near \$179,000 with a 1% fee. See Index funds and fees.
- 7 Run your own numbers in the SEC's compound interest calculator.**

Watch out Investing has no set rate of return. Some experts use 7% to 10% a year as a useful long-run estimate for diversified U.S. stock investments, based on history, but all investments involve risk and markets go up and down. Higher returns come with higher risk, possibly including losing money.

DAD NOTE *The best time to start was five years ago. The second best is this payday.*

Full lesson: aptkeys.com/money/investing-and-retirement/why-starting-early-matters/

Checked October 2, 2026. Sources: U.S. Securities and Exchange Commission.