



# EMPIRE SMSF ADVISERS

Superannuation & Investment Specialists

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## Would you rather retire at 55 or 75?

Starting early is one of the best things you can do to achieve your financial and lifestyle goals. The majority of Australian's wait until later in life to get financial advice, many think it can wait. Although it is it is never too late, do you know what you are missing out on by putting it off until your later years?



**Take the steps now  
to secure your  
financial future**

People in financial services often say 'compound interest is the last free lunch', what exactly does this mean? I interpret the statement to mean that compounding your returns is the easiest way to achieve long-term wealth. The key to achieving this wealth is by starting to invest as early as possible, by making the right investment decisions with your money and by being disciplined with your investment strategy. Investing is a science not an art, decisions are based on information available in the market, not based on emotions.

So what does this all mean to you? How can any one really expect to know what the future holds and the power of compounding returns? That's easy, through financial modeling. Financial modeling is a fancy term adviser's use, it has different applications, but simply put it is the application of a mathematical model to represent the future performance of an investment or a person's long-term position.

The benefit of investing early can easily be modeled out and can show the benefits. Lets have a look at an example case study on the next page.

**Investor A** starts saving at age 20 and saves \$1,000 a year for 10 years, while **investor B** starts saving at age 30 and continues saving until age 65.

Below is a chart that calculates the compound returns assuming a net earning of 7% per year with all income received.

Year	Age	<b>Investor A</b> (\$)	<b>Investor B</b> (\$)
1	20	1,000	
2	21	2,070	
3	22	3,214.90	
4	23	4,439.94	
5	24	5,750.74	
6	25	7,153.29	
7	26	8,654.02	
8	27	10,259.80	
9	28	11,977.99	
10	29	13,816.45	
11	30	14,783.60	1,000
12	31	15,818.45	2,070
13	32	16,925.74	3,214.90
14	33	18,110.54	4,439.94
15	34	19,378.28	5,750.74
16	35	20,734.76	7,153.29
17	36	22,186.20	8,654.02
18	37	23,739.23	10,259.80
19	38	25,400.98	11,977.99
20	39	27,179.04	13,816.45

21	40	29,081.58	15,783.60
22	41	31,117.39	17,888.45
23	42	33,259.50	20,140.64
24	43	35,626.18	22,550.49
25	44	38,120.02	25,129.02
26	45	40,788.42	27,888.05
27	46	43,643.61	30,840.22
28	47	46,698.66	33,999.03
29	48	49,967.56	37,378.96
30	49	53,465.29	40,995.49
31	50	57,207.86	44,865.18
32	51	61,212.42	49,005.74
33	52	65,497.28	53,436.14
34	53	70,082.09	58,176.67
35	54	74,987.84	63,249.04
36	55	80,236.99	68,676.47
37	56	85,853.58	74,483.82
38	57	91,863.33	80,697.69
39	58	98,293.76	87,346.53
40	59	105,174.33	94,460.79
41	60	112,536.53	102,073.04
42	61	120,414.09	110,218.15
43	62	120,843.07	118,933.43
44	63	137,862.09	128,258.76
45	64	147,512.43	138,236.88
46	65	157,838.30	148,913.46



## So what does it all mean?

You will note that Investor A, who has invested only \$10,000 of their own money over the ten years of regular saving still ends up with more money at age 65 than investor B, even though investor B has invested \$1,000 a year for the full period of 35 years from age 30 to 65, totaling \$35,000 of their own money.

Hmm... Would you rather invest \$10,000 of your money and end up with \$157,838, or would you prefer to invest \$35,000 and end up with \$148,913?

Such is the power of compounding interest! (Which is a term that generally includes all forms of investments income).

I really hope this simple example has helped you understand 'the last free lunch' and the benefits of starting early to help you achieve your financial goals to ensure you always enjoy the lifestyle you desire.

Book an appointment via our website for your free one on one consultation to see how we can help you get started. Or why not give us a call and have a chat.

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### What you need to know

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