

**Question: I just inherited \$50,000. If I put it in a bank CD, how many years will it take before it's worth \$100,000?**

**Answer:** 14.4 years – assuming your interest rate is 5%.

In the financial planning world there is something called the “Rule of 72”. It’s a very simple way to compute and determine how long it will take \$1 to double to \$2 at various rates of return. This rule can be used regardless of where you invest your money (CDs, stocks, bonds, REITS, etc.). All you have to do is take any percentage return and divide it by 72 to find out how many years it will take to double your investment.

For example:

- An investment earning 6% will double in 12 years (72 divided by 6)
- An investment earning 8% will double in 9 years (72 divided by 8)
- An investment earning 10% will double in 7.2 years (72 divided by 10)
- An investment earning 12% will double in 6 years (72 divided by 12)
- An investment earning 20% will double in 3.6 years (72 divided by 20)

On another note, a CD should be a temporary parking place for monies earmarked for your emergency fund or earmarked for upcoming expenses in three years or less. For example, if you know you’ll need the money for a home down payment or college costs, it makes sense to save the money in a CD. However, if you know you will not need to touch this money for longer than three years, you may want to consider other investments with a greater potential for return (and a greater level of risk). For example, if you wish to earmark this money for retirement or a long-term goal in 10 years, a diversified portfolio of low-cost index funds and exchange traded funds may be appropriate.

**Bill’s Bottom-line:** CDs are a short-term savings vehicle, not a long-term investment.



Bill Losey, CFP®, CSA, "America's Retirement Strategist", has nearly 20 years experience in the financial planning industry and has been interviewed on the CBS Radio Network, CNNfn, FOX’s “Hannity & Colmes”, and Bloomberg Business Radio. Bill publishes *Retirement Intelligence™*, a free award-winning weekly newsletter that reaches over 5,000 subscribers worldwide. His book, ***Retire in a Weekend! The Baby Boomer’s Guide to Making Work Optional*** will be released in November 2007. Bill can be reached online at [www.MyRetirementSuccess.com](http://www.MyRetirementSuccess.com) or by calling 1-866-786-2521.