

Reminder: Contribute to Your IRA Early and Often!

Here is your yearly reminder to contribute to your IRA early in the year! By doing so, you can potentially save much more money in the long run as opposed to waiting until the end of the year to make your contribution. This can be extremely effective for millennials, who have much more time to see the benefits of early contributions.

If a 22 year old begins to maximize yearly contributions on January 1 vs. December 30 for 30 years (given certain assumptions), we see that the power of compound interest has saved them over \$30,000 by the time they are in their 50s!

Contributing on January 1 for 30 years:

Inputs	
Current Principal:	\$ 0.00
Annual Addition:	\$ 5,500.00
Years to grow:	30
Interest Rate:	7 %
Compound interest:	1 time(s) annually
Make additions at	<input checked="" type="radio"/> start <input type="radio"/> end of each compounding period
<input type="button" value="Calculate"/>	
Results	
Future Value:	\$ 555,901.73

VS.

Contributing on December 31 for 30 years:

Inputs	
Current Principal:	\$ 0.00
Annual Addition:	\$ 5,500.00
Years to grow:	30
Interest Rate:	7 %
Compound interest:	1 time(s) annually
Make additions at	<input type="radio"/> start <input checked="" type="radio"/> end of each compounding period
<input type="button" value="Calculate"/>	
Results	
Future Value:	\$ 519,534.32

Disclosure: This is a hypothetical example for illustrative purposes only

If the same person continues to max their contributions early in the year for just 10 additional years (given the same assumptions), we see that in total he or she can potentially save an extra \$80,000 by his or her early 60s.

Contributing on January 1 for 40 years:

Inputs	
Current Principal:	\$ 0.00
Annual Addition:	\$ 5,500.00
Years to grow:	40
Interest Rate:	7 %
Compound interest	1 time(s) annually
Make additions at	<input checked="" type="radio"/> start <input type="radio"/> end of each compounding period
<input type="button" value="Calculate"/>	
Results	
Future Value:	\$ 1,174,852.63

VS.

Contributing on December 31 for 40 Years:

Inputs	
Current Principal:	\$ 0.00
Annual Addition:	\$ 5,500.00
Years to grow:	40
Interest Rate:	7 %
Compound interest	1 time(s) annually
Make additions at	<input type="radio"/> start <input checked="" type="radio"/> end of each compounding period
<input type="button" value="Calculate"/>	
Results	
Future Value:	\$ 1,097,993.12

We see that making small adjustments like this can add up to big dollars. So when you're are planning your finances this year, remember to consider making early contributions to your IRA!

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Works Cited

● Calculator From:

http://www.moneychimp.com/calculator/compound_interest_calculator.htm



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