

Let's talk about compound growth and your savings



When you invest in a fund that has compound interest, you earn interest on the initial sum of money you invested. But you also earn interest on the interest earned. The longer you leave this money earning interest, the quicker your money will grow.

Take a look at how compound interest adds up over three years. In this example, we show money invested into a non-guaranteed investment. The example uses an initial investment of \$20,000 and a 6% rate of return, compounding annually.

	Starting balance	Gain	Ending balance
Year 1	\$20,000	\$1,200	\$21,200
Year 2	\$21,200	\$1,272	\$22,472
Year 3	\$22,472	\$1,348	\$23,820

Please note: examples shown are for illustrative purposes only. Your individual circumstances should be taken into consideration when making financial decisions.

We add the interest earned in the first year to your account. In year two, you're potentially earning interest on both your initial investment and the interest from last year. Think of a snowball rolling down a hill gathering more snow as it goes.

It's important to note that different types of investments earn varying rates of return. Consider speaking with an advisor (registered as a Financial Security Advisor in Quebec) to learn more about the investments available to you, and their potential rates of return.

If you let your money compound over time, and especially if you add more money periodically, the rate of growth can be significant. Check out the **Payroll contribution calculator** on mysunlife.ca to see how extra contributions can really add up, helping you save for the future. To use the tool, sign in to mysunlife.ca, then select **Manage plan > Tools > Tools & calculators > Payroll contribution calculator**.

Life's brighter under the sun



Save now and get time on your side

The earlier you can put aside money to collect compound income, the better. The longer it stays invested, gaining interest on the interest, the easier it will be to meet your long-term financial goals. In fact, it will be harder to catch up later on, even if you start with more money.

Here's an example. Take a look at how much interest is earned with a smaller initial investment over a longer period of time. Catching up is a lot harder, 15 years later.

	\$20,000 invested for 30 years	\$25,000 invested for 15 years
Interest rate	6% compounded annually	6% compounded annually
Final balance	\$114,869	\$47,931
Total interest earned	\$94,869	\$27,931

Debt and compound interest

Don't forget: credit cards also use compound interest, but in a negative way. That means the money you owe grows as the interest compounds on the total amount you owe, plus the interest you already owe. Make sure compound interest is working for you, and not against you. Pay credit debt down quickly and pay off the balance of your credit card each month whenever possible.

We're here to help



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