

# Save & Invest Even if Money Is Tight

*For millennials, today is the right time.*

**If you are under 30, you have likely heard that now is the ideal time to save and invest.**

You know that the power of compound interest is on your side; you recognize the potential advantages of an early start.

**There is only one problem: You do not earn enough money to invest.**

You are barely getting by as it is.

**Regardless, the saving and investing effort can still be made.**

Even a minimal effort could have a meaningful impact later.

**Can you invest \$20 a week?**

There are 52 weeks in a year. What would saving and investing \$1,040 a year do for you at age 25? Suppose the invested assets earn 7 percent a year, an assumption that is not unreasonable. (The average yearly return of the S&P 500 through history is roughly 10 percent; during 2013 to 2017, its average return was +13.4 percent.) At a 7 percent return and annual compounding, you end up with \$14,876 after a decade in this scenario, according to Bankrate's compound interest calculator. By year 10, your investment account is earning nearly as much annually (\$939) as you are putting into it (\$1,040).<sup>1,2</sup>

You certainly cannot retire on \$14,876, but the early start really matters. Extending the scenario out: Say you keep investing \$20 a week under the same conditions for 40 years, until age 65. Because you started at age 25, you are projected to have \$214,946 after 40 years, off just \$41,600 in total contributions.<sup>2</sup>

This scenario needs adjustment considering a strong probability: The probability your account contributions will grow over time, so assume that you have \$14,876 after 10 years, and then you start contributing \$175 a week to the account earning 7 percent annually starting at age 35. By age 65, you are projected to have \$1,003,159.<sup>2</sup>

Even if you stop your \$20-per-week saving and investing effort entirely after 10 years at age 35, the \$14,876 generated in that first decade keeps growing to \$113,240 at age 65 thanks to 7 percent annual compounded interest.<sup>2</sup>

**How do you find the money to do this?**

It is not so much a matter of finding it as assigning it. A budgeting app can help: You can look at your monthly cash flow and designate a small part of it for saving and investing.

**Should you start an emergency savings fund first, then invest?**

One school of thought says that is the way to go — but rather than think either/or, think both. Put a 10 or 20 (or a 50) toward each cause, if your budget allows. As ValuePenguin notes, many deposit accounts are yielding 0.01 percent interest.<sup>3</sup>

**It does not take much to start saving and investing for retirement.**

Get the ball rolling with anything — any amount — today, for the power of compounding is there for you to harness. If you delay the effort for a decade or two, building adequate retirement savings could prove difficult.

[Contact us](#) for help in financial planning.

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**Citations.**

- 1 - [nerdwallet.com/blog/investing/average-stock-market-return/](http://nerdwallet.com/blog/investing/average-stock-market-return/) [2/28/18]
- 2 - [bankrate.com/calculators/savings/compound-savings-calculator-tool.aspx](http://bankrate.com/calculators/savings/compound-savings-calculator-tool.aspx) [7/26/18]
- 3 - [valuepenguin.com/average-savings-account-interest-rates](http://valuepenguin.com/average-savings-account-interest-rates) [7/26/18]