FIVE WAYS
to make the most out of COMPOUND INTEREST

Compound interest is one of the often-neglected gold mines of the financial world. Unlike simple interest, compound interest allows you to earn interest on your principal amount AND interest on your interest. Its effectiveness as a savings tool is best observed over time. The longer the money remains untouched, the larger the total amount on which monthly interest is earned.

While compound interest can benefit consumers and investors, it is also a powerful tool in debt collection. Many people are unaware that the interest they pay for defaulting on loans is compound. This explains why missing a few repayments can lead to such sharp spikes in the total amount you owe. It's vital to know how your interest-bearing products work in order to capitalise on them, and avoid falling prey to their disadvantages.

Start as early as possible with as much money as possible. Once that's done, be disciplined about making regular deposits. Where possible, remind yourself to make additional contributions on months where you have some cash to spare.

Finding a reputable service provider is vital to your success in investment. Do as much research as possible, get a first and second professional opinion, and make sure that you have all the facts. Spending now on financial advice can save you massively in future.

A monthly compounding rate is less than an annual compounding rate. Keeping an investment for shorter than 5 years is unlikely to yield maximum returns. The longer you leave the money to accumulate interest, the sooner it will reach a point of significant exponential growth.

Reinvesting your interest is a very effective way to maximise the benefits of compound interest. While it may be tempting to withdraw it annually, the bigger reward is in using it to further grow your savings.

Find out about all the fees associated with your investment. It's especially important to know the conditions of withdrawing your deposit. You should know when you're allowed to withdraw, how much you can withdraw, and what penalties are applicable.

There are various investment vehicles that will earn you compound interest. Banks are a good port of call if you're unsure about where to start. **Savings accounts** earn higher interest than cheque accounts, but they aren't your only option. Ask your financial advisor about **bonds** and **money market** options too. All you have to do is find the best one for you and start watching your money grow in leaps in bounds.