

# FREE YOUR MIND

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## The Rule of 72

The Rule of 72 is a nice little mathematical equation that shows you how fast your money will double, based on the rate of return (interest rate) of your money. This is how it works. You take the interest rate that you are getting and divide it into 72 and that will tell you approximately how many years it will take your money to double. For example, if you were making 36 % (that's not bad) on an investment, then  $[72/36 = 2]$  your money will double every two years.

Why is this rule important?

When I entered the financial services industry, I saw an illustration like the one that I am about to show you. It blew my mind because I didn't realize that a few percentage points on an investment could make such a big difference over the course of several years. You see, most people are taught by their parents to save money. Saving money for an emergency is a beautiful thing, but saving money for retirement is the worst thing you can do! Think about the interest rate your money makes in a bank. 1-2%? Let's say that it was 2%.  $72/2 = 36$ . This means that if you put \$10,000 in a bank, in THIRTY SIX years it would be \$20,000. Most people don't have \$10,000 dollars lying around to invest, but if you did, putting it into a bank to save would get you broke! Keep in mind that inflation is supposedly 5% (It's really closer to 10%).

### The Illustration

Now that you know what the Rule of 72 is, we can move on to an illustration to demonstrate how powerful it really is. We will use this experiment on a man named Darrell. Darrell, on his 18th birthday receives \$2,000 from his parents and is told that this money MUST be used for his retirement. He takes his \$2,000 to the bank and they tell him to put that money into a savings account and they will guarantee him 3%. This is more than you will get in most places so he jumps at it.  $72/3 = 24$ . So, Darrell's money will double every 24 years. Darrell wants to retire at age 64 (48 years later).

#### Scenario #1

With the 3% that Darrell is making, his money will grow as follows. After:

24 years = \$4,000 --- 48 years = \$8,000.

Final Amount = \$8,000.

SO... after 48 years, Darrell is now 64 years old, and he has \$8,000 to collect from the bank to retire. Good luck.

#### Scenario #2

Let's say that Darrell decided on the other hand to put that \$2,000 into a CD that was paying 6%.  $72/6 = 12$ . Darrell's money will double every 12 years! So Darrell's money will grow twice as fast right? Well, let's see. After:

12 years = \$4,000 → 24 years = \$8,000 → 36 years = \$16,000 → 48 years = \$32,000.  
Final Amount = \$32,000.

You see, by doubling his interest rate, Darrell would actually quadruple his money over 48 years. But, \$32,000 isn't that much. Forth-eight years from now it may only get you a full tank of gas!

### **Scenario #3**

Let's say that Darrell is proactive and decides to put his money in the stock market. He educates himself and finds some good solid funds that pay 12%.  $72/12 = 6$ . So Darrell's money will now double every 6 years! Maybe he will quadruple his money again! Let us see. After:

6 years = \$4,000 → 12 years = \$8,000 → 18 years = \$16,000 → 24 years = \$32,000 → 30 years = \$64,000 → 36 years = \$128,000 → 42 years = \$256,000 → 48 years = \$512,000.

Final Amount = \$512,000.

Well well well. Now Darrell is in business. \$512,000 can be worked with! If he would wait another six years he would actually have \$1,024,000. By now you can see that compound interest is a beautiful thing. But there is a whole different point to this. Remember the first scenario when Darrell gives his money to the bank and they GUARANTEED him 3%? Well you see, the bank will take his \$2,000, invest it and make \$512,000, and they will only owe him \$8,000!! They will then have made a \$504,000 profit on him. This is not to mention that banks make MORE than 12% because of the credit card industry where they charge 18-24% or more! This is how banks make money.

But now it is about to really get juicy! Unbeknownst to most people, banks have a policy in place called fractional reserve banking. This allows them to loan out 10 times as much money as they have in their possession. So, if a bank has \$100,000 in its possession, it is allowed to loan out \$1,000,000! I talk about this shadiness in my article on the Federal Reserve. Remember the 12% that I was talking about the bank making? Well, actually, because of fractional reserve banking, the bank REALLY is making 120% on money that comes in!

### **The Final Scenario**

Yes, I AM ABOUT TO GO THERE! Darrell's bank is making 120% on Darrell's money.  $72/120 = .6$ . So B.S. Bank's money will double every .6 years. Will they be able to retire along with Darrell? Let us explore. After:

.6 years = \$4,000 → 1.2 years = \$8,000 → 1.8 years = \$16,000 → 2.4 years = \$32,000 → 3.0 years = \$64,000 → 3.6 years = \$128,000 → 4.2 years = \$256,000 → 4.8 years =

\$512,000 → 5.4 years = \$1,024,000 → 6.0 years = \$2,048,000 → 6.6 years = \$4,096,000  
→ 7.2 years = \$8,192,000 → 7.8 years = \$16,384,000 → 8.4 years = \$32,768,000 → 9.0  
years = \$65,536,000 → 9.6 years = \$131,072,000 → 10.2 years = \$262,144,000 → 10.8  
years = \$524,288,000 → 11.4 years = \$1,048,576,000 → 12.0 years = \$2,097,152,000 →  
12.6 years = \$4,194,304 → 13.2 years = \$8,388,608,000 → 13.8 years = \$16,777,216,000  
→ 14.4 years = \$33,554,432,000 → 15 years = \$67,108,864,000 → 15.6 years =  
\$134,217,728,000 → 16.2 years = \$268,435,456,000 → 16.8 years = \$536,870,912,000  
→ 17.4 years = \$1,073,741,824,000 → 18.0 years = 2,147,483,648,000 → 18.6 years =  
\$4,294,967,296,000 → 19.2 years = \$8,589,934,592,000 → 19.8 years =  
\$17,179,869,184,000 → 20.4 years = \$34,359,738,368,000 → 21.0 years =  
\$68,719,476,736,000 → 21.6 years = \$137,438,953,472,000 → 22.2 years =  
\$274,877,906,944,000 → 22.8 years = \$549,755,813,888,000 → 23.4 years =  
\$1,099,511,627,776,000 → 24.0 years = \$2,199,023,255,552,000 → 24.6 years =  
\$4,398,046,511,104,000 → 25.2 years = \$8,796,093,022,208,000 → 25.8 years =  
\$17,592,186,044,416,000 → 26.4 years = \$35,184,372,088,832,000 → 27.0 years =  
\$70,368,744,177,664,000 → 27.6 years = \$140,737,488,355,328,000 → 28.2 years =  
\$281,474,976,710,656,000 → 28.8 years = \$562,949,953,421,312,000 → 29.4 years =  
\$1,125,899,906,842,624,000 → 30.0 years = \$2,251,799,813,685,248,000 → 30.6 years  
= \$4,503,599,627,370,496,000 → 31.2 years = \$9,007,199,254,740,992,000 → 31.8  
years = \$18,014,398,509,481,984,000 → 32.4 years = \$36,028,797,018,963,968,000 →  
33.0 years = \$72,057,594,037,927,936,000 → 33.6 years =  
\$144,115,188,075,855,872,000 → 34.2 years = \$288,230,376,151,711,744,000 → 34.8  
years = \$576,460,752,303,423,488,000 → 35.4 years = \$1,152,921,504,606,846,976,000  
→ 36.0 years = \$2,305,843,009,213,693,952,000 → 36.6 years =  
\$4,611,686,018,427,387,904,000 → 37.2 years = \$9,223,372,036,854,775,808,000 →  
37.8 years = \$18,446,744,073,709,551,616,000 → 38.4 years =  
\$36,893,488,147,419,103,232,000 → 39.0 years = \$73,786,976,294,838,206,464,000 →  
39.6 years = \$147,573,952,589,676,412,928,000 → 40.2 years =  
\$295,147,905,179,352,825,856,000 → 40.8 years = \$590,295,810,358,705,651,712,000  
→ 41.4 years = \$1,180,591,620,717,411,303,424,000 → 42.0 years =  
\$2,361,183,241,434,822,606,848,000 → 42.6 years =  
\$4,722,366,482,869,645,213,696,000 → 43.2 years =  
\$9,444,732,965,739,290,427,392,000 → 43.8 years =  
\$18,889,465,931,478,580,854,784,000 → 44.4 years =  
\$37,778,931,862,957,161,709,568,000 → 45.0 years =  
\$75,557,863,725,914,323,419,136,000 → 45.6 years =  
\$151,115,727,451,828,646,838,272,000 → 46.2 years =  
\$302,231,454,903,657,293,676,544,000 → 46.8 years =  
\$604,462,909,807,314,587,353,088,000 → 47.4 years =  
\$1,208,925,819,614,629,174,706,176,000 → 48.0 years =  
\$2,417,851,639,229,258,349,412,352,000

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Ladies and gentlemen, WHAT NUMBER IS THAT?! Well, I don't know, but they only owe Darrell \$3,000. ☺ Now see, if I didn't have a conscious I would want to be an

international banker!! A license to print money can be very very lucrative! Banking was truly born in iniquity.

**Disclaimer:**

Now this last illustration is a little out of whack because obviously banks don't loan out 100% of what they can on a constant basis, but I hope you see my point. These banks are getting over on us and making ridiculous amounts of money!

**In Conclusion**

In order to become financially independent, you have to change your mindset. Saving is a beautiful thing, but unfortunately, in the society we live in, saving just doesn't cut it. Don't give the banks all of your money, let them make a killing, and just give you peanuts. Invest for yourself. What to invest in? I have stated this before and I will stick with it. I believe with the current state of the economy, it is best to invest in precious metals and/or to invest offshore.

If you are afraid, it is because you don't know how. You can educate yourself. You can do that HERE → <http://freemindonline.net/resources/goldinvesting.html> , HERE → <http://freemindonline.net/resources/offshoreinvesting.html> & HERE → <http://freemindonline.net/resources/mutualfunds.html> . The amount of money to do so is much less than you would pay a broker over time. Which ever way you choose to go is on you. If you can learn how to invest for yourself then you won't have to worry about finding someone who won't get over on you, like the BANKS!

So, until next time

Free Your Mind... Online

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