

Compound interest: Who will earn more chart

This image shows a line chart, read from left to right, with financial results going up on the vertical plane and age in years in represented in the horizontal plane. It is represented that we should assume an 8 percent interest rate, compounded annually for this example.

Here are the two test cases:

Investor 1

- Starts at age 25
- Sets aside \$5,000 a year for 10 years in a row
- No more investments after age 34

Investor 2

- Starts at age 35
- Sets aside \$5,000 a year for 30 years in a row until reaching age 65

The chart shows that Investor 1 would earn \$787,180 at age 65 while Investor 2 would earn \$611,730 at age 65.