



HOW TO BE A CROREPATI AT 60 ?

One of the most important factors to consider while drawing a financial plan is fixing the time period, especially if you are a beginner. The earlier you start, greater is the chance of achieving your financial goals. Further, an early start significantly reduces the investment amount required to meet those goals. **The biggest benefit of investing early (i.e., when time, earning capability and health are on your side) is compounding.** In simple terms, an investment along with returns on it reinvested together deliver more over longer period than what a simple interest would. Besides the power of compounding, early investing brings discipline in spending and helps to achieve near-term and long-term goals.

For example, Rs 1,555 invested every month from the age of 25 would yield Rs 1 crore at 60 - **assuming an annual return of 12%** (Chart 1). Alternatively, if you start investing at 30, the required monthly investment would be Rs 2,861, and Rs 5,322 if you start at 35.

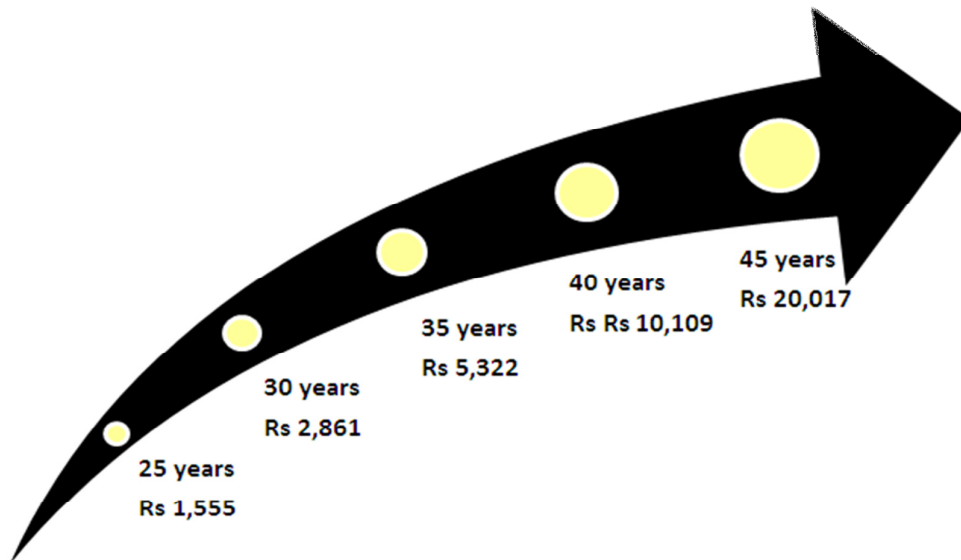


Chart 1 – Monthly investment required for a corpus of Rs 1 cr at 60 years

This is **magic of compounding**. Albert Einstein, the great physicist, said it is the eighth wonder of the world. "He who understands it, earns it... he who doesn't, pays it." He also called it the most powerful force in the universe. He could understand the magic of compounding, because he understood the value and importance of time in the world of investment.