

## THE 'RULE OF 72'

*Q: I learned a lot from watching "Taking Care of Your Future" on Cogeco. Why did they cancel the show? You often talked about the rule of 72. My fiancée and I are working on a plan for 2011. Please explain again.*

*A: Thanks you for your kind words. You would have to address your first question to Cogeco.*

*The rule of 72 is a magic number. It can demonstrate reality as good news and bad news. First the good news: It will tell you how long it will take your money to double if invested and reinvested using compound interest.*

*Say your rate of growth is 3%. Divide it into 72 and the result means it will take*

*about 24 years. Which is why a lot of people are upset with the low rate of returns. If you increase the growth to 6% it only take 12 years to double your money. Now the bad news. The rule will also tell you how long it will take your money to halve in value given the rate of inflation.*

*As we move to better economic times, inflation will become more of a concern, and we are moving into better times.*

*The Bank of Canada will increase interest rates to hold inflation in check. Inflation will also erode your buying power. That is why I have suggested that you try to save 10% of your income for investments, starting with a RRSP. If you plan on moving or refinancing this year, shop around*

*and lock in a mortgage interest rate now, before they increase in the second quarter of this year. The spring market in real estate has jumped off to a quick start, so if 2011 is the year to find a new home, register for our Home Buyers Seminar January 19th from 7-9pm at the Burlington Arts Centre 1333 Lakeshore Rd. Call Candice Pabst at 905-631-6363 or email cpabst@jmedwards.com*

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*You  
were Asking*



*Jamie Edwards*

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