THE RULE OF 72 & 4

The Rule of 72 is a quick way to calculate how long it will take your money to double. It was a tool that was used frequently in the days before every one had a phone with a calculator in their pocket. It's not precise, but if you want to spend 2 minutes to get a handle on expectations, it can do that.

Here's **The Rule of 72:**

Every 10 years, if you're earning 7.2% compounded, your money will double.

That means if you are 40 years old and have $100k, at 50 you would have $200k, at 60 you would have $400k, and at 70 you would have $800k.

The nice thing about the Rule of 72 is that it's easy to run numbers that aren't just 72. Here's a chart based on the Rule of 72:

Number of years to double your money	At this rate compounded
20	3.6%
10	7.2%
7.2	10%
5	14.4%

The second rule is the Rule of 4. **The Rule of 4**:

You can pull about 4% out of your nest egg each year without substantially drawing your nest egg down during retirement.

That means for every $100k you have at retirement you can take an income of $4k each year and it's reasonable to expect that your nest egg will be there for your heirs.

Here's a chart based on the Rule of 4:

Amount in your nest egg	Reasonable annual income expectation
$100k	$4k
$500k	$20k
$1mm	$40k

By combining these to charts you can do a rough estimation of how much your prospects need to have in their nest egg at retirement, how much they should be putting away now, and what interest rate their investments need to earn between now and retirement to get them to their goals. ***This is not a replacement for a professional plan. This is a tool to show the gap between where they are now and where they need to be to fulfill their goals.***