

You can be a millionaire

A million dollars is a lot of money, and many people consider the title millionaire reserved for society's elite or successful business owners. But even if you don't make your millions as an entrepreneur, becoming a millionaire is actually pretty easy! The key to reaching a cool million in your savings account is starting early.

When you deposit \$100 in a savings or retirement account, it may seem like it's not earning much interest. But if you stick with it over time, you'll notice that compound interest may become your best friend.

Compound interest refers to savings or investment accounts in which you earn interest on the interest you've already earned. For instance, if you deposit \$100 in an account with a 10% APR (annual percentage rate), you'll have \$110 at the end of the first year. Then, during the second year, you'll earn 10% interest on \$110, rather than \$100, for a two-year balance of \$121. And the amount you earn keeps on growing the longer your money is in that account.

Different accounts compound at different rates, so your interest may be determined on a yearly, monthly or even daily basis, so be sure and look at the details of your account options when choosing the best place to put your money. Here are a few of your investment options:

Individual Retirement Account (IRA): An IRA can be opened at most financial institutions, and serves as a long-term savings account with some tax benefits and the same restrictions many other retirement savings options have. These may earn less interest than mutual funds or other retirement investments, but are a good alternative if your employer doesn't offer a 401(k) or 403(b) program

401(k)/403(b) Retirement Account: These retirement accounts allow you to automatically deposit money directly from your paycheck before taxes are removed each month (you'll pay the taxes when you withdraw funds during retirement), and allow you to choose different types of investment options for your money to grow. Some employers that offer these programs will also offer to match your contributions up to a certain amount to encourage you to save for retirement. If your employer has a matching program, they're basically offering you free money, so take advantage of it!

Roth IRA/401(k)/403(b): Roth retirement accounts carry the same features as their non-Roth counterparts. The only difference is that the taxes you pay are deducted before they're deposited, so you won't have to pay taxes on funds you withdraw during retirement. If you're planning on making significantly more money at the time you retire than you do now, you may be in a higher tax bracket at retirement, so this will allow you to pay less in taxes on these funds while you're still in a lower bracket.

These are all long-term savings tools so it may seem like you have plenty of time to start saving, but the sooner you begin, the better the results will be. Don't believe us? Take a look at what happened to Ben and Arthur. Ben saved \$2,000 per year for eight years beginning at 19. That's \$167 per month for a total of \$16,000. Arthur saved \$2,000 per year for 39 years, for a total of \$78,000, beginning at age 27. Both of them had the same 12% APR interest rate. When both Ben and Arthur were ready to retire at age 65, who do you think had more money?

BEN			ARTHUR	
Amount Saved	Balance	Age	Amount Saved	Balance
\$2,000	\$2,240	19	\$0	\$0
\$2,000	\$4,749	20	\$0	\$0
\$2,000	\$7,558	21	\$0	\$0
\$2,000	\$10,706	22	\$0	\$0
\$2,000	\$14,230	23	\$0	\$0
\$2,000	\$18,178	24	\$0	\$0
\$2,000	\$22,599	25	\$0	\$0
\$2,000	\$27,551	26	\$0	\$0
\$0	\$30,857	27	\$2,000	\$2,240
\$0	\$34,560	28	\$2,000	\$4,749
\$0	\$38,708	29	\$2,000	\$7,558
\$0	\$43,352	30	\$2,000	\$10,706
\$0	\$48,554	31	\$2,000	\$14,230
\$0	\$54,381	32	\$2,000	\$18,178
\$0	\$60,907	33	\$2,000	\$22,599
\$0	\$68,216	34	\$2,000	\$27,551
\$0	\$76,802	35	\$2,000	\$33,097
\$0	\$85,570	36	\$2,000	\$39,309
\$0	\$95,383	37	\$2,000	\$46,266
\$0	\$107,339	38	\$2,000	\$54,058
\$0	\$120,220	39	\$2,000	\$62,785
\$0	\$134,646	40	\$2,000	\$72,559
\$0	\$150,804	41	\$2,000	\$83,506
\$0	\$168,900	42	\$2,000	\$95,767
\$0	\$189,168	43	\$2,000	\$109,499
\$0	\$211,869	44	\$2,000	\$124,879
\$0	\$237,293	45	\$2,000	\$142,104
\$0	\$265,768	46	\$2,000	\$161,396
\$0	\$297,660	47	\$2,000	\$183,004
\$0	\$333,379	48	\$2,000	\$207,204
\$0	\$373,385	49	\$2,000	\$234,308
\$0	\$418,191	50	\$2,000	\$264,665
\$0	\$468,374	51	\$2,000	\$298,665
\$0	\$524,579	52	\$2,000	\$336,745
\$0	\$587,528	53	\$2,000	\$379,394
\$0	\$658,032	54	\$2,000	\$427,161
\$0	\$736,995	55	\$2,000	\$480,660
\$0	\$825,435	56	\$2,000	\$540,579
\$0	\$924,487	57	\$2,000	\$607,688
\$0	\$1,035,425	58	\$2,000	\$682,851
\$0	\$1,159,676	59	\$2,000	\$767,033
\$0	\$1,298,837	60	\$2,000	\$861,317
\$0	\$1,454,698	61	\$2,000	\$966,915
\$0	\$1,629,261	62	\$2,000	\$1,085,185
\$0	\$1,824,773	63	\$2,000	\$1,217,647
\$0	\$2,043,746	64	\$2,000	\$1,366,005
\$0	\$2,288,996	65	\$2,000	\$1,532,166

Source: daveramsey.com

Even though Ben contributed only \$16,000, as opposed to Arthur's \$78,000, Ben ended up with over \$750,000 more than Arthur simply because he began saving earlier! That's how powerful compound interest can be over the years. Likewise, the longer you wait to begin saving for retirement, the more difficult it will be to catch up.

If you're fresh out of school and haven't been working long, it may feel like you can't afford to put money toward your retirement, but think about how much money you'll be losing if you don't! Getting started is easier than it seems.

1. Choose your investment account. Check with your employer to find out if they match contributions or offer any special perks. If they don't find an IRA with a competitive interest rate or speak with an investment advisor to consider other options available to you.
2. **If you already have an investment account and want to know how much you should put away each month to reach \$1 million, visit eecu.org and click on Financial Tools > Financial Calculators. Click on "Savings Goal Calculator" to input your interest rate and goals, and you can easily determine how much to put away.**
3. Track your spending from month to month in order to find out where your money is going. This will make it easy to identify areas where you can easily cut back. Maybe it's skipping your latte twice a week or ordering water at restaurants instead of a soda. Chances are you can scrounge up some money to put toward retirement. And if your employer matches your contribution that's a 100% return on your investment right off the bat!

Start setting aside money today and you can be a part of the millionaires club!



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