RULE OF 72

The "Rule of 72" is a rule that approximates the number of years it will take invested money to double in value given the annual rate of return. To use this rule, simply divide the average rate of return by the number 72. For example, if the average rate of return is 10%, you would divide 72 by 10, which would be 7.2. This means that it would take an investment at 10% annually approximately 7.2 years to double in value. Note that this is an approximation.

Find the number of years it would take an investment to double at the following rates of returns:

1) .5% credit union savings _______________ years

2) 2% municipal bond ____________ years

3) 1.2% savings bond ______________ years

4) 6% aggressive mutual funds _____________ years

5) 9% mutual funds ___________ years

6) 3% average return for a Blue Chip Stock _____________ years

7) 10% return in stock market ______________ years

8) 20% return in aggressive stocks ____________ years

9) As the predicted rate of return goes up, what happens to the risk factor of the investment? ____