

RULE OF 72

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? _____

