



## The BIG PICTURE

### The Rule of 72

**Situation:** In spite of your best efforts, your clients are parking most of his or her investable assets in a money market account or CD.

**Solution:** Appeal to their logic centers. Show them the numbers!

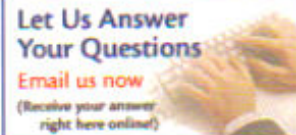
#### Discussion:

- The Rule of 72 can demonstrate the power of compounding
- If kept in a low rate money market account or CD, it could take decades to double an investment
- Investors may be risking the possibility of NOT reaching their savings goals

Some investors may be weary about current market volatility, waiting on the sidelines saying that maybe "tomorrow" or "later" they'll invest. For now, they are content to let their money sit in a CD or money market account. How long would it take to double an investment based on the current five-year CD rate of 3.5% per year,<sup>1</sup> assuming reinvestment of earnings? The Rule of 72 states that you divide the number 72 by the rate of return:  $72/3.5 =$  nearly 21 years.

However, if money is invested in a mix of stocks and bonds, with a hypothetical return of 8%,<sup>2</sup> then the number of years it would take to double an initial investment would be less—only about 9 years. (Again, it's just  $72/8 = 9$ ).

This chart demonstrates the relationship between hypothetical rates of return and number of years it takes to double an initial investment. On the one hand, CD rates may be fixed and CDs may be insured by the FDIC, but they have historically offered relatively low returns. On the other hand, stocks and bonds have historically provided higher rates of return, but come with higher risks of loss. Similarly, fund yields and returns may fluctuate and fund shares are not insured. Fixed income investing entails credit risks and interest rate risks. When interest rates rise, bond prices generally fall, and the Fund's share prices can fall. Investors may be risking the possibility of NOT reaching goals if they stick with low yielding investments such as CDs.



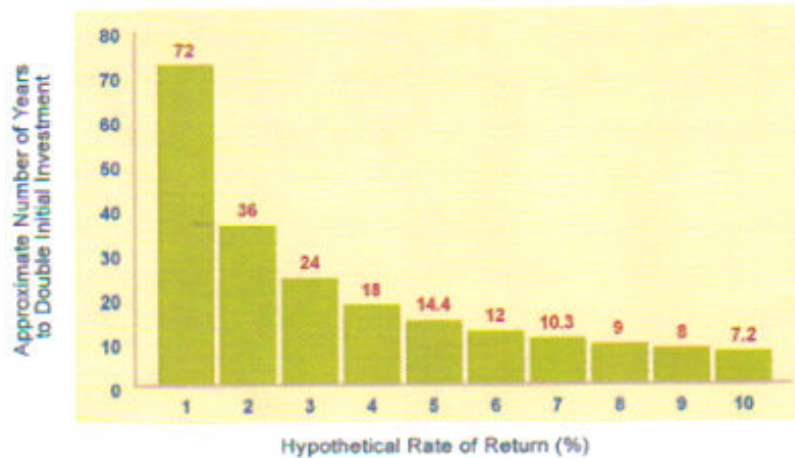
#### Take Action



Customize and print client-ready handout

- Have clients complete our [asset allocation worksheet](#) to develop an allocation that may help them achieve their goals
- Discuss what assets the client has in low return investments such as CDs, money market accounts and savings accounts

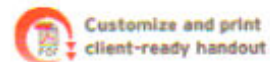
## How Long Does It Take to Double an Initial Investment?



Note: Chart illustrates hypothetical investments' earning returns from 1% to 10% annually. This example does not predict or depict the performance of any Oppenheimer fund and is shown for illustrative purposes only. This performance information does not show the effects of income taxes on an individual's investment. Taxes may reduce actual investment returns or gains realized if investment is sold.

### Related Resources

- [Stay Levelheaded in Volatile Markets](#)
- [Online Account Information Goes In-depth](#)
- [Summary of Prospectus Changes](#)



<sup>1</sup> Source of Data: Bankrate.com, May 2008.

<sup>2</sup> Stocks, as measured by the S&P 500 Index, had an average annual total return of 10.9% for the 25 year period ended 12/31/07. Bonds, as measured by the Lehman Brothers Aggregate Bond Index, had an average annual total return of 8.7% for the same period. Past performance does not guarantee future results.

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