Compounding explained in 30 seconds

Transcript:

JUAN ACEVEDO: Compounding is when interest or the returns on your money starts making interest of its own. I like to compare it to baking a loaf of bread from scratch. If you've ever seen anyone do it, you've seen how dough can rise exponentially over time. Compounding works in a very similar way. Let me give you a hypothetical. Let's say, for example, you put $100 into the stock market and make 10% returns per year. After the first year, you have $110, after the second year, $121, and after the third year, $133, and so on. Therefore, showing how your dough can rise exponentially over time.

Disclosures:

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Fidelity Brokerage Services LLC, Member NYSE, SIPC, 900 Salem Street, Smithfield, RI 02917

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