



I was talking to a friend the other day about investments and they mentioned the “Rule of 72”. What does it mean?

Abbey, Darwin

I reckon that the “Rule of 72” is one of the best rules in investing. It is easy to remember too!

This rule gives you a quick answer as to how many years it will take to double your money at a certain rate of return after tax.

Simply divide the rate of return you expect to get on your investment into 72. The answer gives you the number of years to double your money.

For example, if you expect to receive an after-tax return of 10% pa, then by dividing 10 into 72, you get an answer of 7.2 years. So you can double your money in just over seven years when you re-invest your earnings at 10% pa.

If your return was 2% pa (which is what most bank accounts are paying these days), it will take 36 years for you to double your money. Yes sometimes grass does grow quicker!