THE RULE OF 72

How to calculate the future growth of your investment

What is the rule of 72?

A formula used to determine the number of years it will take for a debt or investment to double in value:

72 divided by the interest percentage = years to double the money

72 ÷ rate of return = years to **DOUBLE** your money

Example: $1000,000 premium starting at age 35, at 5% annual interest rate, 28% tax bracket

Taxable

$100,000 premium at 28% tax rate
28% tax on 5% = 3.6% net return

72 ÷ 3.6% = 20 years to double

Account Value	At age
$100,000	35
$200,000	55
$400,000	**75**

Tax-deferred

$100,000 premium at 0% tax rate
0% tax on 5% = 5% net return

72 ÷ 5 = 14 years to double

Account Value	At age
$100,000	35
$200,000	49
$400,000	63
$800,000	**77**

When you are ready to take a payout, at least two different options may be available.

Take interest income: The interest is considered taxable gain and will be taxed according to your tax bracket.

Interest income from $400,000

$20,000	annual interest payment
$20,000	taxable gain
($5,600)	taxes at 28%
$14,400	after-tax annual income

Interest income from $800,000

$40,000	annual interest payment
$40,000	taxable gain
($11,200)	taxes at 28%
$28,800	after-tax annual income

Take a lump-sum payout
$400,000 after tax (28% tax bracket)

Take a lump-sum payout
$604,000 after tax (28% tax bracket)

Hypothetical example assumes a constant 5% rate of return, which is not guaranteed and is not intended to represent the actual projected future interest rate, and it assumes all money is non-qualified.

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