

The Rule of 72

Tom Mullooly: In episode 72 we're going to talk about doubling your money.

Welcome to the Mullooly Asset Show. I'm your host Tom Mullooly, and this is episode 72. We scrapped our typical format and we just wanted to talk about something special in episode 72, and one of them is the rule of 72.

I'm surprised that more people don't know about the rule of 72. Have you heard about it? If you ever want to know how long it will take your money to double, you need to know the rule of 72.

If you want to know what kind of rate you need to earn to double your money, you need to know the rule of 72.

So, let's go through an example. If you have an investment that's growing at 8% a year, how long will it take that investment to double in value?

It's going to take nine years. Nine times 8 is 72, and you can actually do the compounding math with a calculator and come up with the same answer.

It's a nice little shortcut. If you have an investment that's earning 6%. That investment at 6% will double every 12 years, 6×12 , 72.

You can do this over, and over, and over. If you have an investment that's earning 24%, god bless you, how long is it going to take your money to double? Not that long.

Most people would say, "Hey, if I'm earning 72% on my money, pretty good, right? If I'm earning 72%, it doubles in a year. Sit down and you'll see how the internal rate of return is going to generate a double for you.

Likewise, if you have an investment that is ... This used to be great when CD rates were a lot higher, I'm dating myself because I'm going back 30 years, but we would be able to tell people, "Hey if you have a CD that earns 6%, this is going the double in value in 12 years. Rule of 72.

While we're talking about math tricks, do you know the pattern of the 9 times table?

Something that a lot of people who have been out of school for a long time don't know anything about it, so 9×2 , 18. Add the 1 and the 8, it's a 9; 3×9 , 27. Add the 2 and the 7, it's a 9; 4×9 , 36. Add the 3 and 6, it's a 9.

It's really cool. It works all the way up, so great way to teach your kids the 9 times table. Tim, do people even teach the times tables in school anymore? Quick way to learn these numbers in your head.

I was never a good student in math in grammar school, or even in high school.

It wasn't until I got to college where I met a professor who was really good at explaining math, and then I got into the business when I was in my 20s, and we had to learn how to do 8ths and 16ths in our head and add things up, so by force of habit I had to get good at managing fractions in my head and learning numbers really fast.

Knowing numbers. We talk about knowing your numbers for budgeting, and for savings, knowing your numbers is super helpful, because you're going to know where the leaks are in your boat and make sure that, "Hey, we're not taking \$100 out from the ATM, sticking it in our pocket and then the money's gone two days later."

You need to know your numbers and where everything's going. Good to know these little math tricks like the nine times table, and rule of 72. Better to know your numbers in general.

That's it for episode 72. Looking forward to seeing you on the next episode, number 73.