How to Double Your Money Faster

Description

Have you ever calculated how long it would take to double your money?

If you start by saving $300, a month, it would take you another month to double your money, and it'll take you two more months to double your money again to $1,200.

The larger the amount of money you have, the longer it'll take to double it. If you save $30,000, it'll take you eight years and four months to double it to $60,000.

Double your money faster

To double your money in less time, you'll need to get your money to work for you. If you use a savings of $30,000 (on top of continuing to invest $300 a month) to invest at a 7% rate of return from the market, it'll only take you five years to double it to $60,000 (specifically to $64,131).

The higher your portfolio's rate of return, the faster your money will double. To approximate the number of years it will take to double your money, simply divide the rate of return by 72.

Assuming a 7% rate of return, it'll take about 10.3 years (72/7) to double your money.

In the fiscal years 2011 to 2016, **Nike Inc.'s** ([NYSE:NKE](#)) earnings per share (EPS) grew at a compound annual growth rate of 14.5%. In the next three to five years, its EPS are expected to continue growing at that growth rate.

Assuming Nike's multiple remains constant, a growth rate of 14% coupled with a dividend yield of roughly 1% imply a rate of return of 15%. If these materialize, using the rule of 72, it'll take a little less than five years for an investment in Nike to double.

Word of caution

No high-growth company can maintain double-digit growth forever. There will be periods when its growth will slow down, in which case its multiple would contract and its share price would likely fall.

Rule of 72 can be applied to dividend growth, too

By tracking the amount of passive income you earn from your investment portfolio every year, you can easily calculate the rate at which your income grows.

If you earned $1,000 of dividends in 2014 and earned $1,060 of dividends in 2015, your dividend-growth rate would be 5%. Assuming that growth continues into future years and you don't invest more money, it'll take 14 years and five months to double your income.

Conclusion

The rule of 72 is a simple approximation to estimate how long it takes to double your money by dividing the growth rate by 72. The higher the rate, the sooner you'll double your money.

However, investors should keep in mind that generally the higher the rate of return you target, the riskier it may be because high growth is hard to maintain and definitely can't be maintained forever.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:NKE (NIKE Inc.)

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