The wealth multiplier: the power of time and compound interest

What is the wealth multiplier

The wealth multiplier reveals how much a single dollar invested today will grow by retirement age (usually 65). For example, every $1 invested at age 20 becomes $88, while a dollar invested at age 40 only multiplies by $7.34. This concept demonstrates the power of compound interest over time.

How the multiplier formula works

The formula assumes an 11% annual return for newborns, dropping by 0.1% each year until reaching a conservative 5.5% terminal return at age 65. The compounding calculations happen monthly over the timeline.

The *Money Guy Show Wealth Multiplier Guide* highlights the compounding trajectory for each dollar invested to age 65:

- **Age 20:** 88.35x
- **Age 25:** 53.70x
- **Age 30:** 23.0x
- **Age 35:** 14.73x
- **Age 40:** 7.34x
- **Age 45:** 4.93x
- **Age 50:** 2.85x
- **Age 55:** 2.01x
- **Age 60:** 1.35x

Savings best practices by decade

In your 20s

Your greatest financial asset isn't your income—it's your time.

- Start investing with your very first paycheck.
- Contribute enough to receive your full employer 401(k) match.
- Automate your savings so investing becomes a habit.
- Keep an emergency fund to avoid withdrawing investments during emergencies.
- Invest primarily in diversified, low-cost index funds.

In your 30s

Your career and income are likely growing, but so are your expenses.

- Increase your retirement contribution every time you receive a raise.
- Avoid lifestyle inflation that consumes every new dollar you earn.
- Continue maximizing tax-advantaged accounts such as your 401(k), IRA, or HSA.
- Stay invested during market downturns instead of trying to time the market.
- Review your financial plan annually.

In your 40s

Even if you're starting later than you hoped, you still have decades for compounding to work.

- Make retirement savings your highest financial priority.
- Take advantage of catch-up contributions once eligible.
- Eliminate high-interest debt quickly.
- Invest consistently rather than waiting for the "perfect" market.
- Focus on increasing your savings rate, which has a much larger impact than trying to pick winning stocks.