The Rule of 72

Name: _____

How long will it take to double your money?

When we learn and practice business math, please keep in mind: Our goal is to get comfortable estimating values accurately enough that we can recognize when a number makes sense and when it has to be wrong. Typically, we use calculators or computers to calculate financial data. However – we still need to have an idea about what type of number we should get from our calculator or computer.

In finance, the **rule of 72** is a method for estimating an investment's doubling time. The rule number (e.g., 72) is divided by the interest percentage per period to obtain the approximate number of periods (usually years) required for doubling. Please note – the answer we get is an approximation. Being able to roughly determine (without a calculator) a reasonable estimate that closely tells us when money doubles is a handy trick that all investors should learn.

1. If we can invest money at 3%, then we see that 72/3 = 24. The rule of 72 says we can double our money at 3% in 24 years.

2. If we can invest money at 6%, then we see that 72/6 = 12. The rule of 72 says we can double our money at 6% in 12 years.

Now you try! PLEASE SHOW YOUR WORK IF YOU WANT TO EARN CREDIT FOR THIS ASSIGNMENT

3. How long will it take to double your money if you can invest it at **7% interest**?

6. How long will it take to double your money if you can invest it at **12% interest**?

4. How long will it take to double your money if you can invest it at **9% interest**?

7. How long will it take to double your money if you can invest it at **14% interest**?

5. How long will it take to double your money if you can invest it at **10% interest**?

8. How long will it take to double your money if you can invest it at **16% interest**?