

# Investment Strategy Template

Chapter 5.2: Understanding the Power of Compound Interest and the Rule of 72

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This investment strategy template will help you document your comprehensive plan for harnessing compound interest to achieve your financial goals. Complete each section based on what you've learned about compound interest, the Rule of 72, and your personal financial goals.

Name: \_\_\_\_\_ Date: \_\_\_\_\_

## Key Principles of Compound Interest:

1. **Time is your greatest ally.** The longer your money can compound, the more dramatic the growth.
2. **Starting early matters more than starting with a large amount.** Even small amounts can grow significantly over long periods.
3. **Interest rate significantly affects growth.** Small differences in rates lead to large differences in final amounts.
4. **Consistent contributions accelerate growth.** Regular additions to your investments amplify compound interest effects.
5. **The Rule of 72 helps estimate doubling time.** Divide 72 by your interest rate to find years to double your money.

## Part 1: Compound Interest Simulator Findings

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Record your key observations from experimenting with the Compound Interest Simulator.

## Most Impactful Variables

Based on your exploration, rank the variables in order of their impact on final investment value (1 = most impactful):

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_

## Key Insights

What were the most surprising or valuable insights you gained from the simulator?

## Specific Scenario Results

Record the details and results of the most interesting scenario you explored:

Variable	Value
Initial Investment	\$
Monthly Contribution	\$
Interest Rate	%
Time Period	years
Final Amount	\$
Total Contributions	\$
Interest Earned	\$

Why did you find this scenario particularly interesting or relevant?

## Part 2: Personal Savings Plan Summary

Summarize your personalized savings plan for both short-term and long-term goals.

### Short-Term Goal (1-5 years)

<b>Goal Description:</b>	
<b>Target Amount:</b>	\$
<b>Timeframe:</b>	years
<b>Expected Interest Rate:</b>	%
<b>Lump Sum Needed:</b>	\$
<b>OR Monthly Contribution Needed:</b>	\$
<b>Chosen Approach:</b>	

Implementation Steps:

1. \_\_\_\_\_
  2. \_\_\_\_\_
  3. \_\_\_\_\_

## Long-Term Goal (6+ years)

<b>Goal Description:</b>	
<b>Target Amount:</b>	\$
<b>Timeframe:</b>	years
<b>Expected Interest Rate:</b>	%
<b>Years to Double (Rule of 72):</b>	years
<b>Potential Number of Doublings:</b>	
<b>Lump Sum Needed:</b>	\$
<b>OR Monthly Contribution Needed:</b>	\$
<b>Chosen Approach:</b>	

Implementation Steps:

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_

## Part 3: Time Value of Money Decisions

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Summarize your approach to balancing present spending with future financial growth.

### Key Decisions from Time Value of Money Challenge

Summarize your decisions on the most meaningful scenarios and your rationale:

### Personal Decision Framework

Based on the scenarios, describe your approach to making decisions about spending now versus investing for the future:

### Future Application

How will you apply the time value of money concept to upcoming financial decisions in your life?

## Part 4: Comprehensive Investment Strategy

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Develop a comprehensive strategy that integrates compound interest principles into your overall financial approach.

## Asset Allocation Strategy

How will you allocate your savings/investments to achieve both short-term and long-term goals?

Purpose	Allocation %	Vehicle/Account Type	Expected Return
Emergency Fund	%		%
Short-Term Goals	%		%
Medium-Term Goals	%		%
Long-Term Goals	%		%
Retirement	%		%

Rationale for this allocation strategy:

## Rule of 72 Applications

How will you use the Rule of 72 in your financial planning and decision-making?

Interest Rate (%)	Years to Double	Potential Application

### Remember:

Your investment strategy should align with your:

- **Risk tolerance** - How comfortable are you with investment fluctuations?
- **Time horizon** - Longer time horizons generally allow for higher-risk, higher-return investments
- **Financial goals** - Different goals may require different investment approaches
- **Current financial situation** - Be realistic about what you can contribute regularly

## Part 5: Monitoring and Adjustment Plan

Develop a plan to track your progress and make adjustments as needed.

### Progress Tracking Method

How will you track your progress toward your financial goals?

### Regular Review Schedule

How often will you review your strategy, and what will you look for during reviews?

## **Adjustment Triggers**

What changes in your life or financial situation would trigger adjustments to your strategy?

## **Most Valuable Insights**

What are the most valuable insights you've gained about compound interest and long-term financial planning?

## **Commitment to Action**

What specific actions are you committed to taking in the next 30 days to implement your investment strategy?

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_

