smart

Early on savings

Two friends graduate from college this coming May and start their first full-time jobs in July. Hannah begins to save $2,000 per year in an Individual Retirement Account. At age 30, she stops working to care for her children and no longer contributes to her IRA. Judith does not begin contributing to her IRA until age 35. She saves $2,000 per year from age 35 to age 65 outstripping her friend in total savings. Yet, given the power of compounding returns, Judith's portfolio never achieves the total value of Hannah's portfolio who stopped saving at 30 but started saving earlier.