

Amazing Benefits Of Compounding



Table Of Contents

Preface

Chapter I - Compounding interest

- Understanding the Basic Concept
 - Misconception
 - Annual Percentage Yield
 - Exceptions
- Formulae: The Mathematics of Compounding Interest
 - Simple Formulas
 - The Rule of 72
 - Formula for Periodic Compounding
 - The Accumulation Functions
 - Continuous Compounding
 - Compounding Bases
- Compound Interest and Your Savings
- Reach your Financial Goal using Compounding Interest
 - Make Your Money Work For You
 - Double Your Money using the Rule of 72
- The Magic of Compound Returns
 - Savings Regularly Add Up - Growth by Leaps and Bounds
 - Compounding only Works if You Don't Spend Your Earnings
- The Magic of Compound Growth/ Wealth Power of Compound Growth
 - Make a Million Dollars in One Month with Compound Growth
 - How to Use the Wealth Power of Compounding Growth

Chapter II - Compounding education

- Compounding Your Skills - Time Value of Money
- Patience and the Power of Compounding - Planning for your children's education
 - The rising cost of higher education
 - How can Compounding Help?
 - 529 Savings Plans
 - Coverdell Education Savings Accounts
 - Regular Investment Account
- Compounding education through planning - Risks and Rewards

Chapter III - Compounding knowledge through managing

- Compounding Knowledge through Managing - The Right Approach
- Compounding Corporate Knowledge to Create Strategic Opportunities
 - Market Rewards
 - Add Value through Technical Know how
- Compound thinking for IT management
 - IT Management is the Combination of Shared Aspirations, Goals, Tactics
 - IT Management is about Serving the Needs of the Team
 - Key Points

Chapter IV - Compounding money, assets, and profits

- Time Value of Money i
 - Build Your Assets through Compounding ii
 - Asset 1 - Cash and Cash Equivalents
 - Asset 2 - Stocks
 - Asset 3 - Bonds
- Compounding Money - Investment Growth by Leaps and Bounds iii

Chapter V

- Quick Compounding with land investment
 - Compounding money by Flipping Properties
 - Compounding money through passive real estate investment
 - Compounding money by Investing in Limited Partnership

- Compounding money by Investing in commercial triple-net lease property
 - Compounding money by Investing in real estate securities
 - Compounding Money through Lease Options and Subject Tos
 - Lease Options
 - Subject Tos
- **Compounding Money through Real Estate Investment - Your Best Bet**

Conclusion

- Time for Compounding Profits

Preface

This ebook can help you discover the 8th wonder of the world, as it will demonstrate to you the power and magic of compounding. You will be amazed to find out that compounding can let the money work for you and can help you live the life of the rich and famous in the long run. If you put your money in an investment with a given return -- and then reinvest those earnings as you receive them - the snowball effect can be astounding over the long term.

As in retirement accounts, where principal is allowed to grow for years tax-deferred or even tax-free, you find almost the same concept and effect with compounding money, assets or profits. However, there is a catch. You must keep in mind that the longer you leave your money invested and the higher the interest rate, the faster it will grow.

When we discuss options for compounding money and wealth, one very good option that naturally comes to mind is that of compounding with land and real estate investments. Real estate investments be it Flipping properties, Investments in land, lease options, passive real estate investing or subject to, offer very good return on investments and a viable option for compounding money and wealth in relatively less time.

Like compounding money or assets, there is something called compounding education as well. What is more, you can also use the concept of compounding with IT management. In fact, the concept of compounding is so vast and versatile that it can be used in a variety of things. No matter whatever the field, compounding is capable of doing magic and helping you reach the goals you have set for yourself.

Let's go exploring.



Chapter 1.A

Compounding Interest: Understanding The Basic Concept

Compounding Interest is the interest added to interest previously earned on a principal balance. It is in fact a process, in which each interest payment is reinvested to earn more interest. The basic idea is that the interest itself becomes principal. Therefore, when you leave that money in the bank, it is just like another investment and earns interest for you. This is the magic of compounding interest that the interest earns interest for you.

Let me give you a simple example. Everybody invests for retirement. In order to make this investment, people put money into their bank account and let its value grow until they reach retirement age. They leave the interest earned on the investment each year in the account with a view to apply future interest growth to the interest from prior years. Compounded interest is nothing but this process of getting interest on interest.

Compounding interest is an interest that is added to the original principal. However, the real beauty lies in the fact that the new interest is then calculated in subsequent periods - not only on the original principal, but also on the interest that has been added. The more frequently interest is compounded the faster the principal grows.

The effective yield depends upon the fact how frequently the interest is compounded. The effective yield will be higher if the interest is compounded more frequently, and vice versa. The following brief analysis will give you a better picture of what exactly is compounding interest and how it can do wonders. Following are some of the most used compounding and loan calculators use the same very often.

Continuous Interest compounded every day = 365 x year

Weekly Interest compounded every week = 52 x year

Biweekly Interest compounded every two weeks = 26 x year

Monthly Interest compounded each month = 12 x year

Quarterly Interest compounded each quarter = 4 x year

Semiannually Interest compounded twice per year = 2 x year
Annually Interest compounded once per year = 1 x year

1.A. (i): Misconception

It is really surprising to see that something as important as interest rates are so generally misunderstood or regarded so lightly. In fact, prudent people know that when it comes to financial success or failure, the effect of these rates on purchases and investments can often make a huge difference. They go for compounding of interest because they know the value of time.

The importance of compounding interest cannot be ignored or taken so lightly. You must keep in mind that the effect of compounding interest can change your approach to all areas of finance - no matter whether you buy a house, use a credit card, or invest in a stock, bond, or mutual fund.

Very few people know that the basic concept in the time value of money is nothing but the compounding of interest. Unlike simple interest measurements that are used for promotional purposes or simplicity, the compounding interest is used to reflect the correct measurement of most reality.

1.A. (ii): Annual Percentage Yield

A good investor knows which interest rates are useful for financial growth. The useful interest rates are those that are easily comparable. Many governments require financial institutions to disclose the comparable yearly interest rate on deposits or advance because usually people think of interest rates as a yearly percentage. This comparable yearly interest rate is also referred to as Annual Percentage Yield.

1.A. (iii): Exceptions

- US and Canadian short term government debt that is also known as T-Bills use a different convention. They calculate their interest as $(100 - P)/P$ where 'P' is the price paid. They do not normalize it to a year. Instead, the interest is prorated by the number of days 't' as in

$(365/t)*100$. this eventually leads the total calculation as $((100-P)/P)*((365/t)*100)$.

- Corporate bonds also use a different convention. They are most frequently payable twice yearly i.e. at each six months. The amount of interest paid half-yearly is the Annual Percentage Yield divided by two and multiplied by the principal. However, this Annual Percentage Yield is always lower than yearly compounded rate.
- Now, another exception is mortgage interest. Mortgage interest is usually quoted as simple interest. The yearly compounding rate is always higher. The payment schedule is normally monthly but also weekly for weekly pay loans, and they compound with this payment schedule.

The next section - "Formulae: The Mathematics of Compounding Interest" - section will help you understand all these exceptions more clearly.



Chapter 1.B

Formulae: The Mathematics of Compounding Interest

The mathematics of compounding interest is not that difficult to understand. Let us start with the Simple Formulas.

1.B. (i): Simple Formulas

Following are some of the most basic formulas for compounding interest.

1. $FV = PV (1+i)^n$
2. $PV = FV/(1+i)^n$
3. $I = (FV/PV)^{(1/n)}$

Here,

FV = future value

PV = principal investment

i = Interest rate per conversion period

n = total number of conversion periods

Example

Here is a basic example of how to use these formulas to calculate your financial growth. Suppose, Smith invested \$10,000 for 5 years at an interest rate of 7.5% that is compounded quarterly. This way, the data we gather here is the following:

$$PV = \$10,000$$

$$i = 0.075 / 4, \text{ or } 0.01875$$

$$n = 4 * 5, \text{ or } 20, \text{ (the conversion periods over the five years)}$$

Therefore, the amount, FV, is:

$$FV = \$10,000(1 + 0.01875)^{20}$$

$$= \$ 10,000 \times 1.449948$$

$$= \$14,499.48$$

Therefore, Smith would earn \$ 4,499.48 (\$14,499.48 - \$10,000) as interest at the end of five years.

Comparison with simple interest

Now, compare the same if Smith had invested this amount for five years at the same interest rate offering the simple interest option. Then the interest that he would earn is calculated by applying the following formula:

$$FV = PV (1 + rt),$$

$$PV = 10,000$$

$$r = 0.075$$

$$t = 5$$

$$\begin{aligned} \text{Thus, } FV &= \$10,000[1+0.075(5)] \\ &= \$ 13,750 \end{aligned}$$

Here, the interest that he would have earned is \$3,750.

Conclusion

When you do a comparison of the interest amounts calculated under both the methods, you find out that Smith would have earned \$749.48(\$4,499.48 - \$3,750) more under the compound interest method than under the simple interest method. This is where the magic of compound interest lies.

1.B. (ii): The Rule of 72

This Rule of 72 is the formula to illustrate the growth potential of compound interest. The formula goes like this:

$$n = 72/i$$

Here,

i = interest rate

n = the number of time periods needed to double the principal

Example

Suppose there is a mutual fund that grows at 12% average interest rate. If you invest money in this mutual fund, as per the rule of 72,

$$n = 72/i = 72/12=6$$

this means, if we apply the rule of 72 in this case, the money would double every 6 years.

Note

However, you must note that the above calculation deals only with the gross amount. If taxable vehicles, such as CD's, mutual funds, etc. are used, taxes must be factored into growth. Again, the above calculation helps you find merely an approximation of the time needed to retain an investment before it doubles in value. In order to find the accurate calculation, you should use the following formula.

$$n = \frac{\ln 2}{\ln(1 + i)}$$

1.B.(iii) : Formula for Periodic Compounding

The formula goes like this:

$$A(t) = A_0 \left(1 + \frac{r}{n}\right)^{n \cdot t}$$

Where,

t = time in years

n = Number of compounding periods per each "t"

r = Annual interest rate expressed in a decimal (for example, 5% = 0.05)

n.t = total number of compounding periods

Note

As the number of compounding periods per each "t" increases, the annual interest rate approaches an upper limit of e^r . This rate is referred to as continuous compounding. Continuous compounding has been discussed in detail in the section 1.B.(v).

1.B.(iv) : The Accumulation Functions

In mathematics, we often represent the accumulation functions in terms of the base of the natural logarithm - e . That is the reason why in manipulation of interest formulas, we use the calculus method as well. This process of calculation is known as the Force of interest. The formula goes like this:

$$\delta_t = \frac{a'(t)}{a(t)}$$

When we write this formula in differential equation format, the coefficient of amount of change becomes the force of interest, as in the following formula:

$$da(t) = \delta_t a(t) dt$$

Again, if we show the accumulation function of compounding interest in terms of force of interest, it will be simply a power of e . as in the following formula:

$$\delta = \ln(1 + r)$$

or

$$a(t) = e^{t\delta}$$

1.B.(v) : Continuous Compounding

The formula to calculate the interest compounded a certain number of times, n , per year, such as monthly or quarterly goes like this:

$$a(t) = \left(1 + \frac{r}{n}\right)^{n \cdot t}$$

You can consider continuous compounding as making the compounding period infinitely small. This way, you can achieve continuous compounding by taking the limit of n to infinity.

1.B.(vi) : Compounding Bases

The formula to convert an interest rate from one compounding basis to another compounding basis goes like this:

$$r_2 = \left[\left(1 + \frac{r_1}{n_1} \right)^{\frac{n_1}{n_2}} - 1 \right] \times n_2$$

Here,

r_1 = the stated interest rate with compounding frequency n_1

and r_2 = the stated interest rate with compounding frequency n_2

Note

When interest is continuously compounded, the formula goes like this.

$$R = n \times \ln \left(1 + \frac{r}{n} \right)$$

Here,

R = the interest rate on a continuous compounding basis

r = the stated interest rate with a compounding frequency n

Note

There is one more formula to calculate compound interest. It goes like this:

$$y = a \cdot b^x$$

Here,

y = the money after interest is calculated

a = the initial deposit

b = the interest rate in a decimal form, and

x = the exponent of b which represents the time

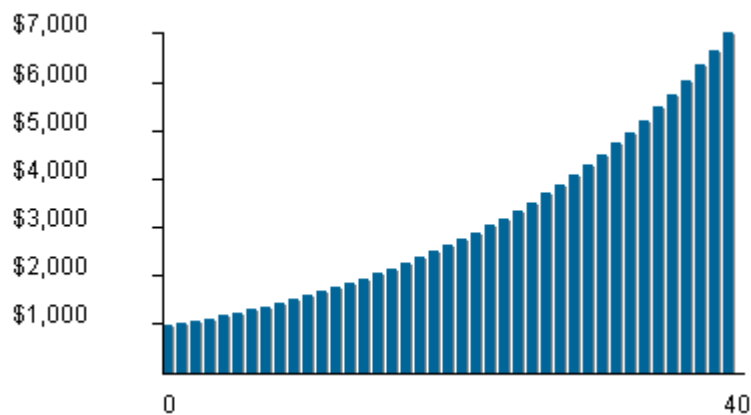
Compound Interest and Your Savings

Let me start with an example. Suppose, you put \$1000 in the bank and you are offered 5% interest. This way, at the end of the year, you will have \$1050 ($1000 + 50$). Now, if you decide and leave the entire amount in the bank for another year, you will then have \$1102.5 ($1050 + 52.5$). You can see that in this second year, not only did you get interest on your original investment, but you also got interest on the interest you earned the previous year. This is called compound interest, where interest applies to interest.

If you are able to leave heir investment to grow over long periods of time, you can enjoy the magic of compound interest. If we take the above example furthermore, and calculate what the investor would get if he invested the money for 40 years at 5%, we find that a mere thousand dollars of investment will be worth over \$7000.

The effects of compounding interest are not visible if you are investing for a short period of time. The importance and power of compound interest are obvious only when you invest for a long period of time and interest is compounded over that period.

Let us have a look at the following chart.



The above chart shows financial growth during your 40 years of investment as in the above example. You must be amazed to see how the future value of an investment grows most spectacularly in the later years.

Thus, we can see that compounding and our savings has a great relation. This relation is quite evident from various types of retirement planning. Now, you can understand why they call for early investments.

You must keep in mind that how interest is calculated can greatly affect your savings. The more often interest is compounded, or added to your account, the more you earn.



Reach your Financial Goal using Compounding Interest

Most of us believe that money does not come easily. You can even use the proverbs to describe the truth about money, such as money does not fall from the sky, money does not grow on trees etc. Well, it is very much true that in order to earn your money, like anybody else, you too need to work. If you are already working not only to earn regular money but also the extra spending money, I believe you know what hard work is all about. However, have you ever given it a thought whether or not you will be able to reach your financial goal doing things the way you are doing? Do you know whether or not the money you are earning will work for you? Yes, here is the catch. In order to reach your financial goals, you need to know the ways you can get your money to work for you.

1. D (i) Make your Money Work for You

It might sound a new thing to you that you need to put your money work for you. But, you should and you really can. Let us see how. The simple way to do this is to start making deposits into your savings account. Well, we all do it. What is the catch? The catch is that deposits in your savings account earn interest and the more you save and the longer you save, the harder your money works for you. The interest earns interest and the money just adds up.

Example

Let me explain with an example. Suppose, Smith saves \$1 a day in a jar in his room, now calculate how much he would have at the end of 10 years. There are 365 days in a year and in ten years, there will be a total of 3650 days. The calculation is very simple, a saving of \$1 for 3650 days will be worth \$3650 at the end of the period. This simple example tries to show you the very fact that saving money – that is, just not spending it – really adds up.

Now, let me give you an insight of what happens if Smith puts his money in a saving account instead of in a jar in his room. What makes the big difference is that there he will be offered interest on his savings. Interest is nothing but the

award of savings. If every day he puts that \$1 in his savings account, and if that account earns 2.2% interest the whole time, calculate how much will be the money worth after 10 years. If you apply the formula of compounding interest as discussed in the previous section, you will find that the same money that made \$3650 in 3650 days, can make a sum of \$4083 during the same period. This simple example intends to show you that when you invest your savings, you get even more money.

Now, you can calculate yourself if \$1 a day can help you make \$4083 in 10 years, how much money you can earn if you save \$10 a day. Well, that is a big amount. And, this is how you can get your money to work for you.

Where does all that extra money come from?

You must have this question in your mind that where does all that extra money comes from. This is where the power of compounding works. Compounding money simply means that you can earn interest on your interest. You can understand this another way that when you keep the interest earned on your money in the savings account only, you simply give yourself a chance to earn interest on that interest too. The money simply adds up and adds up.

You can compare what you earn when you save money in a jar in your room and when you deposit the same in a saving bank account. In 10 years, you get an extra amount of \$433 by saving the same in your bank account. That is how money works. It is simple, but money works only if you get it to work the right way.

1 D (ii) Double your Money using the Rule of 72

The rule of 72 can help you find how much time it will take you to make the amount double at a certain interest rate. For example, suppose the interest rate you are being offered is 3%. You can use the formula to calculate the time required to double your investment. It goes like this:

Time required to double your money = $72/3 = 24$ years.

You can also use the formula the other way around. For example, suppose you want to make your money double in 10 years. This way, you need to calculate how much interest rate can help you achieve this financial goal. The formula goes like this:

Interest rate required to make your money double in 10 years = $72/10 = 7.2\%$

Well, that is easy. You can easily calculate and then take a decision based on how to reach your financial goal in a fixed duration.



The Magic of Compound Returns

The magic of compound return lies in the fact that the savings can make the money work for you, but that too, if you save the right way. It is not very difficult to understand the concept of compounding. You put money in the bank. You earn interest on your savings. You leave the money there along with the interest. The next month, you earn interest on the interest as well as on your original contribution. The money rolls and rolls and over a year, you feel amazed to find out that the effective interest rate you earn on your money is even larger than the monthly rate advertised by the bank. That is the magic of compound return.

However, this magic works until the time you do not withdraw the monthly interest. You need to leave it there to let the money work for you. If you do not touch the interest, but let it add to your lump sum, then you start to earn interest on your interest, as well as on the original amount you saved.

The longer you leave your money, the more powerful is the compound interest effect. Therefore, it is always prudent to start saving earlier. The earlier you get into the habit of saving, the more you make from compound interest. Compounding also works in your investment account. If you are interested in some other types of investment, such as in shares, you can also have the concept of compounding work there by regularly reinvesting dividends. You can generate income from capital gains, dividends and distributions of your stocks and funds. Whether it is capital gains, dividends and distributions, when you leave that income in your account, reinvesting in purchases of additional shares of stocks or index shares, you can have your earnings generate additional earnings for you. This way, you can enjoy the magic of compound returns and can reap the rewards.

1.E.(i) : Savings Regularly Add Up - Growth by Leaps and Bounds

When savings regularly add up, you can have your finances grow by leaps and bounds. When you leave your money as well as the interest earned on the

savings there in the account over a long period of time, in the end, you will be amazed to find out that the returns you get from compounding has eventually outpaced your initial contribution.

You need to have patience if you really want your finances to grow by leaps and bounds. Always remember, when you leave the savings for a long time, even small, regular contributions can grow to become a formidable sum. Refer to the chart in Chapter 1.C and you can see it yourself that how just \$1 a day can grow through the power of compounding. While you are analyzing the chart, you should pay attention to the rapid increase in growth that comes after many, many years of investing.

Here, let me give you an example of how \$50 a month can add up to \$18,000 in 30 years. Suppose the rate of interest is 4%. At this rate of annual return, \$18,000 will grow to \$34,868. At 8 percent annual return, your \$18,000 will grow to \$75,064. Sometimes, you might be fortunate enough to earn a 12 percent return. If that is the case, your \$18,000 will grow to \$176,545. Just imagine, you can build this huge sum of amount with that same \$18,000 in monthly \$50 contributions.

No doubt, compounding is a powerful tool that can help your money work for you in the long run.

1.E.(ii) : Compounding only Works if You don't Spend your Earnings

Apart from all the powers and magic of compound return, you must keep in mind that compounding only works if you do not spend your earnings as you receive them. Compounding returns work only if you reinvest all of those returns back into your account. The basic thing that every investor must understand and acknowledge is that if they will be in the habit of spending their profits along the way, money will not work for them and they will never be able to become rich, as they always dreamed about.

In fact, you are pursuing a very difficult task if you are trying to see the effects of compounding in the short term. Therefore, do not try for that. Instead have some patience, believe in the powers of compound return and you will end up making yourself rich. However, having patience is not enough. You must also

understand that when it comes to miracles of compounding, time matters. Therefore, prudent people never delay in starting their own investing plan. If you want to have the taste of being rich, let the compounding working for you - you just go on with the basics.

Note for the investors

Here is something very important for the investors. Investors must keep in mind that compounding does not assure an overall profit or positive return in an investment account. The simple reason is that the stocks and reinvested dividends are subject to market fluctuation and changing economic conditions.



The Magic/Wealth Power of Compound Growth

If you want time to be on your side while you are making investments, you must look out for the wealth power of compound growth to help you with this. This is that power that can not only put time on your side but it can also effectively help the money work for you. Compound growth can make your ally. When you start reinvesting your investment gains, such as interest or dividend income, compound growth starts doing the magic. This magic continues till the time you keep reinvesting the gains. As a matter fact, it is the wealth power of compound growth that banks, insurance companies and sophisticated investors use for their ultimate growth.

If you want to put away less amount each month towards compound growth, the earlier you start savings, the better it is. First, you need to work for your money, and as time goes on, your money starts working for you in a much more impressive way.

1.F.(i) : Make \$1 million dollars in a month with Compound Growth

If you are looking forward to making \$1 million dollars in one month using the wealth power of Compound Growth, the first thing you need to do is to do your math. The simple way is to start with one penny and double it every day. Always remember, even the aircraft runs on the ground before it takes off to touch the skies. The same logic goes with the wealth power of compounding growth. You need to start from ground level.

I know, many of you will dismiss this idea in the very start. But, instead of you dismissing it, why don't you give it a try? You are not going to lose anything after all. If things go the right way, and you make efforts in the right direction, trust me, within one month, the power of compounding can help you make over \$1 million dollars. The right approach towards the same is to take just one step at a time. Always remember that when it comes to utilizing the wealth power of compound growth, it is your beliefs and attitudes that give power to

your actions. Focus on what you have, not what you do not have. Refer back to chapter 1.D, and you can learn how to double your Money using the Rule of 72.

1.F.(ii) : How to Use the Wealth Power of Compounding Growth

No matter how old you are, there are compelling reasons to start saving as soon as possible. Always remember that wealth power of compounding growth works irrespective of your age and when you get into the habit of savings. However, you must also keep in mind that the longer your money is invested, the more time it has to grow. This simply means that the sooner you start, the higher will be the compounding growth. If you keep your money invested for a longer period of time, you will not only be in a much better position to weather the ups and downs of the economy, but you will also have nominal risks to take on to achieve your goals.

In fact, if you count the blessings of compounding growth, you will be amazed to see that there are virtually endless advantages that the wealth power of compounding growth can bring for you. For example, there are tax advantages as well. There are lots of investment opportunities, where the longer you own them, the less taxes you have to pay on them.

Another important thing to keep in mind is that you must have a timeline for savings. It is very important for you set your financial goals and prioritize them. You must be able to analyze what goals come first. You must also be able to decide what are the goals that you can best use time in your favor for. Such a goal might be the retirement. First you have set your goals, the next step is to set up a savings schedule to meet them. Let me give you a simple example regarding how to choose and prioritize your goals. Always remember that time matters, such as you may have more time to save for retirement than you do for a child's college education. Therefore, act smart and pick your choices prudently.

The wealth power of compound growth can help you meet your financial goals on time - it only depends on whether or not you start taking the steps on time.

Chapter 2 - A

Compounding Education

Compounding Your Skills - Time Value Of Money

When it comes to investing your hard-earned money, every investor has this expectation that the real value of their investment appreciate over time. It is not just that you simply want your invested money to grow in value. What I actually mean by investor's expectation is that they think that they will be able to purchase more with the money they will have. It means they think in terms of the purchasing power of money. For example, if you are able to buy one packet of popcorn with the money you have today, by investing that money, you will expect that the value of money will grow in such a way that you will be able to buy more packets of popcorn in future. It is the purchasing power of the money that you want to be enhanced. This is where it becomes very important for you to understand the time value of money.

In order to ensure that the investment you have made is going to be successful the way you want, it is very important for you to work on a proper strategy. There are so many factors that you need to take into your careful consideration that you are forced to work on a careful planning. The first thing that you need to carefully plan about your compounding investment is setting your financial goals. It is very critical to have a definite financial goal or goals. If you do not have a financial goal, how are you going to decide whether or not you have achieved them? Therefore, first you need to set some goals. What is more, these financial goals must be SMART. By SMART, I mean these financial goals must be **Specific, Measurable, Attainable, Reasonable, and Time bound**.

Once you have established your financial goals, the second most important thing for you is to be aware of your investment time horizon and the appropriate investment options.

2.A.(i) : Time Value of Money

When it comes to compounding, you should always keep in mind that One-dollar is not always equal to one dollar. It is, in fact, the time value of money that decides the exact value of one dollar. This value changes depending on

when you can take control of the dollar and invest. Time is the most important variable that plays a critical role in determining the exact value of the dollar.

Example

Here is a simple example that intends to show you a brighter picture of how time plays an important role in compounding and in determining the exact value of dollar. Everybody knows what inflation is all about. If not, here is a brief description. Inflation is an economic term that we use to describe the gradual tendency of prices to rise over time. For example, if the inflation rate is 3 percent per year, it means there will be a rise in the prices at the rate of 3 percent per year. This eventually means that the value of your dollar has gone down. Due the inflation rate of 3 percent, your dollar will be capable of purchasing 3 cents less in a year than it can purchase today.

It means, if there is an inflation in the economy of the country, the value of the dollar will go down and a year from now, one dollar will be worth slightly less than it is today, depending upon the rate of the inflation. For example, in an economic environment of 3 percent inflation, a dollar today will be equal to 97 cents in one year. Now think about your investment. If you were to invest the dollar and your investment had an annual return of 10 percent, you would have \$1.10 in one year. This way, you can see that instead of losing value over time, this investment has provided growth in real value for you. And, that is where the real magic of compounding lies.



Chapter 2 - B

Patience And The Power Of Compounding - Planning For Your Children's Education

Every parent wants the best for their children. And, when it is associated with the education of the child, no parent will like to take risks. They will like to plan the education for their children in as good a way as possible. When it comes to planning education for your child, one of the most important things that makes the major concern for you is how to fund the cost of the education. It is known to all that the cost of higher education is steadily on the rise. Therefore, you need to be very prudent in choosing the right education plan so that you could easily pay for the quality education your children deserve. This is where the power of compounding can do magic.

2.B.(i) : The Rising Cost of Higher Education

If we go through the statistics for the academic year 2004-2005, the average cost of tuition, books, supplies, and room and board was \$11,354 at a four-year public college. And, according to the college board, the average cost of tuition, books, supplies, and room and board was \$26,057 at a four-year private college. The cost of higher education is still steadily on the rise.

2.B.(ii) : How can Compounding Help?

The concept of compounding offers you some excellent ways to accumulate assets for projected higher education costs. Some of these ways include 529 Savings Plans and Coverdell Education Savings Accounts. Let me give you an insight into the same one by one.

2.B.(iii) : 529 Savings Plans

As the name suggests, A 529 Savings Plan is a type of plan. This plan has been named for the section of the IRS Code. The IRS code is where the plan is explained. If you go for these plans, they will not only offer estate planning

advantages, but you will be happy to know that there are certain tax benefits as well. What is more, these tax benefits have been further enhanced by the 2001 tax law changes.

Here is a list of some of the key benefits of 529 Savings Plans.

Contribution limits are extremely high

One of the greatest advantages of the 529 Savings Plans is that there is a very high limit on the amount you can contribute. The higher limit is more or less \$250,000. However, this higher limit will eventually depend on the state you live. There are some variations with different states. For example, there are some states that even allow you to take a tax deduction on your contribution.

Accumulation of the amount is free from immediate taxation

Another great advantage of the 529 Savings Plans is that, the amount you can accumulate through this plan is literally free from immediate taxation. It is not all. As long as you use the money for higher education costs, you also get the chance to withdraw the money free from federal taxation. The higher education costs include expenses like fees and educational-related expenses, e.g., the cost of uniforms, supplies, books, etc.

Flexibility

Flexibility is another key advantage that 529 Savings Plans has to offer you. Most of these plans are highly flexible in terms of making investment choices and changing your beneficiary to determine how to spend the assets.

No annual income eligibility limits

What is more, you will be amazed to know that there are no annual income eligibility limits in order to become eligible for the 529 Savings Plans. This is something that makes 529 Savings Plans one of the highly recommended ways to accumulate assets for projected higher education costs.

2.B.(iv) : Coverdell Education Savings Accounts

When it comes to accumulating assets for projected higher education costs, Coverdell Education Savings Accounts is another great tool that you can go for. It is in fact a great way to supplement your education savings. The recent tax law changes have made these accounts more powerful by further enhancing their compounding features. Let me give you a brief insight on some of the key benefits of the Coverdell Education Savings Accounts.

Much higher contributions

In comparison to an Education IRA, the Coverdell Education Savings Accounts offers you to contribute a much higher amount. As per the statistics, the maximum annual contribution for the year 2005 was \$2000 as compared to the \$500 in the Education IRA.

Flexibility to fund your account

When you go for this great compounding tool, you get the flexibility to fund your account. There is a wide array of financial products that you can use to fund your Coverdell Education Savings Accounts. These products include mutual funds, individual securities, and bank Certificates of Deposit. Again, it is the power of flexibility that allows to access your assets in order to pay for elementary and secondary school expenses.

All Earnings are Federal Tax-Free

One of the greatest advantages that you can enjoy with the Coverdell Education Savings Accounts is that all your earnings grow Federal tax-free. However, this benefit of taxation is there as long as you keep your earnings in the account. Well then, that is the basic of compounding. You need to have patience in order to reap the rewards of compounding.

No income taxes for assets withdrawn for qualified expenses

The qualified expenses include fees and educational-related expenses, e.g., the cost of uniforms, supplies, books, etc. for your child. When you withdraw some amount from your earnings for such qualified expenses, you will be happy to know that these amounts are not taxable and that you do not need to pay the income taxes on those earnings - not even after you have closed your account.

Eligibility criteria

There are certain requirements that you need to fulfill in order to make yourself eligible for the Coverdell Education Savings Accounts. The eligibility criteria go like this:

- If you are single
 - Your Adjusted Gross Income (AGI) must be less than \$110,000 annually.
- If you are married
 - Your AGI must be less than \$220,000 annually in order to make you and your spouse eligible

If you have this minimum qualification, you can certainly go ahead and contribute to the Coverdell Education Savings Accounts. Here, let me clarify some of the terms I used above:

- **Adjusted Gross Income (AGI)** is that amount, which the taxpayer must use for computing income tax. The process of determining the same is simple and it is done by subtracting from gross income any un-reimbursed business expenses or deductions, such as moving expenses.

Note

Here is an important note that you must keep in mind. If you already have a 529 saving plan, it does not deprive you from establishing a Coverdell Education Savings Account. The only thing is that you must meet the basic eligibility criteria as discussed above.

2.B.(v) : Regular Investment Account

Regular investment account is also an excellent compounding tool when it comes to accumulating assets for projected higher education costs. It is good that you have opened a Coverdell or 529 Savings Plan, but it is always prudent to open a regular investment account along with the same. Such an account is very helpful, especially in college education planning. Once you establish a regular investment account, make sure that you are contributing to it regularly. It is very important if you are looking forward to reap the rewards of compounding.

You should make it a habit to contribute to the regular investment account on a regular basis, such as monthly or quarterly. Compounding is one of the fastest ways to build wealth over time - no matter whether you are going to use it for the education planning of your child or whether you just want to be rich.

Note

Whatever option or options you want to go for, make sure that you consult your tax or legal adviser in order to make sure that you are getting the best compounding deal.



Compounding Education Through Planning - Risks And Rewards

When it comes to compounding education through planning, there are certain risks and rewards associated with the same. Let us have a brief insight into the same.

2.C.(i) : Risks and Rewards

A prudent investor knows that there are no such things as zero-risk investing. Even if you invest entirely in vehicles that maintain your principal like CDs and money market funds, there are certain risks involved with the same. You run the risk of outliving your assets. The reason is simple and that is - the return from these investments may not keep up with inflation. The same goes with more speculative investments. You might be fortunate enough to have these investments generate higher returns, but at the same time, there is a risk involved with the same. The risk is greater of you losing your principal entirely. In fact, the practical thing is that different types of investment carry different risks and rewards. If I give you a further example, you can take the case with corporate and municipal bonds. The risk is that the issuer will default, or not repay the principal. Likewise, the primary risk with stocks is that there is a possible loss of principal if the shares decline in value or the company goes bankrupt.

Therefore, when it comes to analyzing about the risks and rewards associated with a compounding investment, the prudent way is to look into the past. A thorough research and analysis will certainly provide you some clues to the trade-off between risk and reward.

Chapter 3 - A

Compounding Knowledge Through Managing

Compounding Knowledge Through Managing - The Right Approach

When it comes to compounding knowledge through managing there are several factors that you need to take into your careful consideration. You must go ahead with a right approach if you want to ensure success for your efforts. Organizational employees have different knowledge demands and the knowledge is compound. Therefore, it becomes critical to understand what should be the right approach to push the right compound knowledge to the right organizational employees. Being an organizational employee, one of the best ways for you to solve the problem is to do a thorough research and analysis on a framework for compound knowledge push system. You will notice that on the basis of the knowledge needs of the organizational employees, the compound push mechanism is given out in the framework. If you further analyze the same, you will find that the framework does introduce the frame IT, but it has presented the same with the illumination of every body's function of the system. Once you are through with the thorough research and analysis of the framework, the next task for you is to study the application case in order to illustrate the compound knowledge push system's operation mechanism based on the framework.

If such a system is applied, it does not only give the employees all-around knowledge backing, but it will also eventually enhance the knowledge management level of organizations.



Compounding Corporate Knowledge To Create Strategic Opportunities

3.B.(i) : Market Rewards

When it comes to compounding knowledge through managing, it is very important to understand the concept of market rewards for corporate knowledge. This is where improvement in valuation can make the justification of a good project much easier. There are lots of evidence that certify the fact that if a corporate company has the ability to sustain and apply technical expertise, market certainly rewards these companies with growth opportunities. These opportunities eventually lead to the traditional measures of shareholder value.

3.B.(ii) : Add Value through Technical Know how

It is not without reason that multinational energy companies maintain large staff groups skilled in the technologies of exploration, development, and production of oil and gas. These skilled groups work in a way to maximize exploration efficiency and optimize development designs for lowest cost. They also work in a way to increase safety in production operations, and increase recovery efficiencies from oil and gas reservoirs. The success of the company depends upon the skills and capabilities of these staff groups.

Thus, we can see that when it comes to Compounding Corporate Knowledge to Create Strategic Opportunities, the companies can add value through technical know how. If the company maintains the ability to sustain and apply technical expertise, the market also does not hesitate in rewarding these companies with ultimate growth opportunities.

Compound Thinking For IT Management

A thorough study of compound thinking for IT management will let you know about the several reasons why top notch IT candidates are not always the best team members, let alone managers. Actually, the fact is that IT students are evaluated largely on their individual performance both before and after they arrive in IT schools. But the problem begins when they are forced to work in groups. In such cases, they have to deal with the messiness and sometimes craziness of human groups. This is where their individual performance does not come to their rescue. After all, they need to deal with people with different needs, opinions, priorities, and skills, and different schedules too. This is something where individual performance cannot help much. In such scenarios, if they want to perform well and impressively, they need to work seriously on compound thinking for IT Management.

3.C.(i) : IT Management is the Combination of Shared Aspirations, Goals, Tactics

When it comes to the concept of compound thinking for IT management, it is very important for the IT professionals to understand that the IT management is nothing but the combination of shared aspirations, goals, and tactics. If they are capable enough to do it well, they can certainly achieve the highest dreams for the team, for the company, and eventually for the community in which they are embedded.

One of the key factors regarding compound thinking for IT management that IT professionals must keep in mind is that the most abundant, and most fickle resource of the community is passion. Passion is nothing but the energy that you require to get things done. You can also refer this as motivation. Everybody has a passion for something and the same goes with compound thinking for IT management.

The main task of the IT management people is to find the right people with the right passions, and organize them in a way that directs their passion into group accomplishment.

3.C.(ii) : IT Management is About Serving the Needs of the Team

In order to pursue the goals of the organization or the company, it is important for the IT management people to understand that IT management is not about authority. Instead, if we go with the concept of the compound thinking for IT management, it is all about serving the needs of the team.

3.C.(iii) : Key Points

The following are some of the key points regarding compound thinking for IT management.

- The first and the most important thing for the IT management people to understand is that they should never stop learning from the people in their team. That is the basic concept. You will lose potentially critical information if you do not intend to learn from them. You need to be on the front lines, enhancing your learning everyday.
- You should change the way you think. You should understand that the IT job is not all about making money. There is much more to it. Always remember that greatness comes from productive passion.
- Last, but not the least, the IT people who actually produce value must be elevated. They must be respected and valued. They should also be put in charge of improvement processes.



Chapter 4 - A

Compounding Money, Assets And Profits - Time Value Of Money

The concept of compounding money, assets and profits largely depends upon the concept of time value of money. Every investor wants his or her investment to grow by leaps and bounds. They have this expectation while making investment that the value of the money, assets or profits invested will increase in value in the long run.

When I say compounding profits, it means reinvesting the gain you earn on your investment. If you are looking for a huge return over a long period of time, it is important for you to keep in mind the time value of money because it is only then that you can analyze and compare the growth in your money, assets, or profits.



Building Assets Through Compounding

Compounding is one of the excellent ways to build your assets. If you leave your dollar invested, the value will begin growing exponentially over time. That is the power of compounding. The system of compounding works in such a way that it is not just that the value of original dollars appreciate, but it also helps your returns grow at a rapid pace. However, the real beauty of building assets through compounding lies in the fact of how early you start making serious efforts in the right direction with the right approach.

For example, if you can start at a very early age, say 15, even a mere 100 dollars of investment can bring huge returns for you. The money will appreciate significantly over time.

The following are some of the most important financial tools that can help you build assets through compounding.

Asset 1 - Cash and Cash Equivalents

Cash is the most liquid of all assets. The value of cash is known with certainty. Cash represents coins, negotiable money orders, checks, and bank balances. On the other hand, you can define cash equivalents as all highly liquid securities with a known market value and a maturity, when acquired, of less than three months.

Savings account

This is usually the first banking product that people use. When it comes to compounding money and assets, this works as a great financial tool. When you open a savings account and keep your money invested there along with the regular interests that you earn on the principal, in the long run, they reward you with a huge return. A savings account can generally earn you a small amount in interest that typically ranges from 2.0% to 4.0% per annum.

Money market funds

When it comes to building assets through compounding, money market funds can be another great financial tool. It is a type of mutual fund, in which you have to invest in short-term bonds. However, money market funds are not like other funds. Shares in a money market fund are designed to be worth \$1 at all times. This is not the case with other types of funds. The good thing is that in comparison to a conventional savings account, money market funds usually pay better interest rates. However, this rate of interest is much higher when you invest in certificate of deposits that are discussed next.

Certificate of deposit

Not many people are aware of the existence of things like certificate of deposit, but the fact is that they can be an efficient financial tool for you to build your assets through compounding. Certificate of deposit is a specialized deposit you make at a bank or other financial institution. The interest rate on these certificate of deposits is usually about the same as that of short- or intermediate-term bonds. You gain the interest rates at regular intervals until the certificate of deposit matures. The certificate of deposit is also known as CD in short in the financial world. When the CD matures, you can get the money you originally deposited along with the accumulated interest payments.

Asset 2 - Stocks

Stocks are another excellent financial asset. This represents the ownership shares in companies. You can define a share of stock as a proportional stake in a company. The value of the shares changes with the value of the company in the economic market.

Common Stock

When you go for common stocks, you get a chance to be a part owner of a business. In fact, in the form of shares, you do not only own a part of the assets of the company, but you also own a part of the stream of cash those assets generate. The compounding starts working when the company acquires more assets. As the company acquires more assets, the stream of cash it

generates gets larger and eventually the value of the business increases. Owning stock carries a potential reward. However, this potential reward in a growing business is balanced by the inherent business risk. The risk is that if the company goes bankrupt, shares of stock may decrease in value - or even end up being worthless.

Preferred stock

Preferred stock is another great financial tool that can help you build huge assets through compounding. You can define it as a hybrid between a stock and a bond. The best thing with the preferred stock is that as a preferred shareholder, you have claims to the assets of a company in the case of a bankruptcy liquidation that is superior to the common stock holder. Another key advantage is that preferred stock always carries a dividend. What is more, these dividends are often cumulative. However, you must also keep in mind that preferred stocks do not appreciate as much as common stocks if the company that issued them improves financially.

Stock derivatives - options

Stock Derivatives - Options can be defined as your right to buy and sell property that is granted in exchange for an agreed-upon sum. If you do not exercise this right after a specified period, the option expires worthless. There is something called call option as well. When you go for that you get the right to buy shares on an underlying security at a fixed price before a specified date in the future. On the other hand, if you go for the put option, it grants you the right to sell. The value of an option is derived from that of another security or commodity. That is the reason, it is also sometimes known as derivative security.

Asset 3 - Bonds

Bonds are a form of indebtedness. They are sold to the public in set increments, normally in the neighborhood of \$1000. These bonds are eventually used by large organizations such as corporations, the federal government, and state and local governments, when they need to borrow money to finance their operations and investments. You can also define bonds

as fixed-income securities. The simple reason is that the amount of income the bond generates each year is fixed at a predetermined amount.

The federal government bonds

Since the Treasury Department sells these bonds, they are also known as Treasuries. You can go for the different types of treasuries because there is a variety of different maturities ranging from 3 months to 30 years. Treasury notes, Treasury bills, Treasury bonds, and inflation-indexed notes are some of the important types of treasuries. You can differentiate them on the basis of maturity and amount of interest paid. There are saving bonds as well. The Treasury Department sells these bonds through the Bureau of the Public Debt. One of the key advantages of the Federal Government Bonds is that they are guaranteed by the U.S. government and are free of state and local taxes on the interest they pay.

Other government agencies

The bonds by other government agencies, such as the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corp. (Freddie Mac), and the Government National Mortgage Association (Ginnie Mae) are backed by the full faith and credit of the U.S. for specific purposes, such as funding home ownership.

Corporate bonds

Corporate Bonds are one of the best financial tools that can help you build assets through compounding, that too at a rapid pace. These bonds are sold by the companies through the public securities markets just as they sell stock. The company enjoys a wide array of flexibility in many things, such as how much debt it can issue and what interest rate it will pay. The good thing with corporate bonds is that they carry higher interest rates than government bonds. These high-yield bonds are sometimes also referred as junk bonds. These bonds are issued by companies whose credit quality is below investment grade.

State and local governments

The bonds sold by State and Local Governments offer competitive interest rates just like corporate bonds. This is because they know that the state and local governments can go bankrupt. However, these bonds are quite different than corporate bonds. State and local governments can also waive state and local income taxes on the bonds. This means the bonds can actually have a higher after-tax yield than other forms of fixed-income investments for borrowers in high tax brackets - no matter if they are paying lower rates of interest. These are also known as tax-free municipal bonds.

Overall, we find that there are different types of financial tools for different types of assets to help them grow by leaps and bounds through compounding. So, act smart and pick out the choices that suit your kind of asset.



Chapter 4 - C

Compounding Money - Investment Growth By Leaps And Bounds

The magic of compounding lies in the very fact that whether it is money, assets or profits, the gain regularly adds if you leave your investment along with the returns there only for a longer period of time. It is difficult to see the benefits if you are trying to make huge returns within a short period of time. You need to have patience and work on a proper strategy and planning in order to achieve the financial goals you have set for yourself.

When you leave your investment for a long time, you will be amazed to find out that even small, regular contributions can grow to become a formidable sum. What is more, no matter in which types of assets you invest your hard money in, if you want to take advantage from the magical characteristics of compounding, you must keep in mind that the money or assets will not add up if you are in the habit of spending your earnings as you receive them. It is the earnings that add up and build a huge amount for you in the long run. Therefore, you must learn to reinvest all the earnings as and when you receive them.

Chapter 5-A

Quick Compounding With Land Investment

If you are looking for one of the quickest ways to compound your money and assets, look no further than investment in real estate properties. There are millions of people who are jumping into the real estate bandwagon in order that they can earn huge wealth for themselves. The real estate industry offers a wide array of opportunities to compound your money and assets.

There are ample reasons why the global real estate industry is such a hot marketplace today for investors worldwide. Real estate investing teaches investors how to make their money working for them. In this chapter, we will focus on the very fact of how a prudent land investment can help you achieve your ultimate financial goal.

5.A. (i): Compounding Money by Flipping Properties

Compounding money through real estate investing is not just a pipedream. Therefore, if you really want to utilize the ultimate profit potentiality of real estate investing to the fullest, you must stop dreaming now and get to work. One of the quickest ways to turn a few thousand bucks to millions is investing in flipping properties. The best thing with flipping properties is that you do not even need a great deal of start-up money to invest. What is more, even if you are young and inexperienced, a little serious effort can help you make huge wealth through flipping properties. In fact, it is not an exaggeration if I say that there is no other business in real estate industry that can earn you that much money, with that little start-up cost, and that too, in a very short span of time.

When you buy a property at a low price and after making certain modifications, you sell the same quickly at a higher price so that you could make substantial rapid money, in real estate properties. We call that flipping properties.

If you are also planning to jump into the business of flipping properties, you must have a good knowledge regarding wholesale and retail markets. The real estate market where buyers buy houses with an intention to live in them is known as the retail market. The buyers in the retail market are common people. On the other hand, the buyers in a wholesale market are none other than the investors who are competing with you. If you want to do the fix -up work yourself for flipping properties, you should go for the retail market. On the other hand, you must also keep in mind that the real estate market for flipping properties is very hot, and every next investor is looking for properties, which they can fix and flip. Therefore, if you want to save yourself from the hassle of fixing-up properties, you can easily resell the properties to such investors, keeping a substantial margin for yourself in the wholesale market.

However, there are certain things that seek your careful consideration while you are flipping properties. For example, make sure that when you buy the property, you are not buying the same for rental purpose. Your motive must be flipping only. Again, you must be wary of the location because it is the primary factor that determines your eventual profit. Moreover, you must be able to understand and explore the real estate market in your area for flipping properties, it will certainly help you choose and analyze the house under bargain when you spot one. What is more, you must also be able to judge if the condition of the property is suitable enough to use the same for flipping purpose. Last, but not the least, If you are buying the property with a view to resell the same in a retail market, you must be wary of the overall cost of the property.

5.A.(ii) : Compounding Money Through Passive Real Estate Investment

Real estate investment in the UK and the US consists of tremendous possibilities. All it requires is a thorough strategy and planning and you can easily make massive passive income without any hassle. If you are not getting

desired success in active real estate investment, it is worth giving the following passive ways of earning massive income a try.

Compounding Money By Investing In Limited Partnership

Investing in limited partnership is one of the best and safest ways to compound your money. A limited partnership requires you to invest only a partial amount for the property, and you are liable for up to that amount only. However, in spite of the limited liability, you still can enjoy the benefits from the appreciation and the tax deductions for the total value of the property. Again, limited partnership has an edge over normal corporations because your profits are taxed just once.

Compounding Money By Investing In Commercial Triple-Net Lease Property

If you too want to add your name among the successful passive real estate investors, all you need to do is just to stick to these basics. That way, investing in commercial triple-net lease property can also be an excellent type of profit for you, as it carries tremendous profit potentiality. Apart from that, there are certain advantages as well. For example, it does not require you to deal with management hassles. The lease payments can earn you significant monthly income. And, probably the greatest advantage is that your tenants do everything to make the location well maintained and attractive to customers. Yes, that is the magic of compounding money by investing in commercial triple-net lease property.

Compounding Money By Investing In Real Estate Securities

If you are looking to compound money through passive ways, investing in real estate securities in the UK also makes an excellent choice for you. Following are some of the real estate securities, investing in which can drastically change your financial life.

- Real Estate Investment Trusts

- Real Estate Mutual Funds
- Private Mortgage Loans

Always remember that it is in no way prudent and fair that you are working and your money is sitting idle. You must learn how to let your money work for you, and this is where investing in real estate securities can come to your rescue. So, act prudently, and explore your options now.

5.A.(iii) : Compounding Money Through Lease Options And Subject Tos

Lease options and Subject Tos are two of the great ways in real estate industry in both the UK and the US that can help you compound your money at a rapid pace. However, there is a condition - you must have proper knowledge to use these techniques properly. The real magic lies in the way you use these tools. If you are able enough to use both lease options and subject Tos simultaneously, nobody can stop you from extracting gold from sand. The best thing is that it does not require you to spend a fortune. All you need to spend is a little amount or sometimes even just nothing.

Lease Options

Lease options provide you an instant right over the property to possess the same for a certain period and to purchase the same at a future date in your own terms - if you feel it suitable.

Subject Tos

When you go for Subject Tos, it does not require you to have a new mortgage in order to get the deed to a property. Instead, the seller signs the deed subject to the existing mortgage. You just need to make the mortgage payments on the old loan only.

However, it is strongly recommended to do a thorough research before you use these techniques.

Compounding Money through Real Estate Investment - Your Best Bet

It has not been long when the world witnessed a heavy downturn in the global stock market in the UK, which resulted in millions of investors burning their fingers badly. Those who had had their money invested in stocks and commodities were in a hopeless situation. Their entire life savings were wiped out. The entire funds that they saved for their retirement too were wiped out. All these unpleasant and heart rendering developments forced millions of investors to turn their backs on the then roller coaster stock markets.

In fact, this heavy downturn served for the UK investors as a wake up call, as they started looking for alternative investment options where they could invest and somewhat compensate for the loss they suffered. This eventually resulted in the rise to prominence of real estate markets. The investors were hunting for high-potential alternative asset classes where they could invest their hard-earned money and compensate for the loss they suffered, and they eventually found this in real estate markets. It was the bullishness of all these budding real estate investors that led to a global boom in the real estate industry in the UK.

However, it is also true that after this global boom in the real estate market, the prices of properties in the UK, the US and in other parts of the world started rising at a rapid pace. What is more, they are still rising. But, in spite of the rising prices, prudent investors know that the potentiality of the real estate market to compound money and assets quickly and impressively has not been downsized by any means.

The rapid growth in real estate market has resulted in prices of real estate properties climbing skywards. But just because real estate prices seem to have

hit a temporary ceiling in many countries around the world, in no way means that the profits from property investments are hard to come by.

Be On The Safer Side

True that there have been certain ups and downs in the real estate industry in the last few decades, but it is also true that things have been never as bad as in the other volatile markets. In fact, when it comes to compounding your investment, there are ample reasons that make investing in real estate properties a better and safer option than other volatile markets, such as stock markets. It is not just the profit potentiality that gives real estate investing a winning edge over its alleged counterparts. The good thing is that real estate industry also gives its investors much greater flexibility in their investments. It means that even if the real estate market faces a slowdown, stagnation or depression, it does not prevent investors in the UK and the US from making huge profits locally as well as overseas - all they need to do is strategic buying and selling of the various real estate properties.

Compounding your hard earned money and assets through buying and selling real estate properties is a much safer option because even if the conditions are not in your favor most of the time, you will certainly find a way out to avoid the possible huge losses. In fact, it is not an exaggeration if I add that various real estate marketing strategies can not only help you avoid the losses, but they can even help you end up with a huge profit margin for your investment. That is the magic of compounding your money and assets through real estate investing.

Overall, we can see that the global picture of the current real estate market is quite hot and enticing. It carries tremendous potential for profits, that too, with minimal associated risks. Even if you are new to real estate investing, but use your analytical ability to the fullest through proper strategies and planning, there is nothing to stop you from making a killing from real estate.

Conclusion - Time For Compounding Profits

Now that you are aware of the power of compounding, what are you waiting for? Do you know that the power of compounding works for those who start earlier? The sooner you start, the larger you can build money, assets and profits through compounding.

Compounding is a concept that can help you become rich, the way you always wanted to be. If your dollar remains invested, the value will begin growing exponentially over time due to compounding. It is not just the principal but also your return that will also grow with time. Whatever model you prefer for compounding your interest, wealth or money, tread with caution and avoid unnecessary risks.

However, it is also true that it is difficult to point out the effects of compounding in the first few years of your investment. The beauty of compounding lies in the last few years when your investment is about to mature. This is the time when your investment and the returns grow by leaps and bounds. This is the time when you can realize your dream of living a rich life.

It is time for a compounding of profits. It is time to let your money work for you. So, act smart and choose your path to ultimate financial success now.

Happy compounding!

