The Power of Time

Today Is Tomorrow

All too often, people put off doing things that they know are good for them. We've heard all the excuses: "I'll go on a diet. . .after the holidays"; or "I'll go to the gym . . . when I have more time." Procrastination is also a problem when it comes to making important personal financial decisions, such as those involving investments: "I'll start investing. . .when I have more money"; or "I'll start investing. . .next year." Such delays can be harmful and expensive. Conversely, getting an early start on investing can help you and your family realize important financial goals.

Put Time On Your Side

By getting an early jump on investing, you put the power of time on your side. Over the years, and over the decades, the "magic of compounding" can make a profound difference in the size of your nest egg. Put simply, your "earnings earn earnings." That means that reinvesting your interest, dividends and capital gains over many years can help your nest egg grow significantly. The longer you invest, the greater wealth you'll potentially accumulate. Although this concept would seem to be intuitive, many people fail to recognize the enormous benefits that can accrue from investing over a long period of time. To illustrate the power of time, let's take a look at two examples.

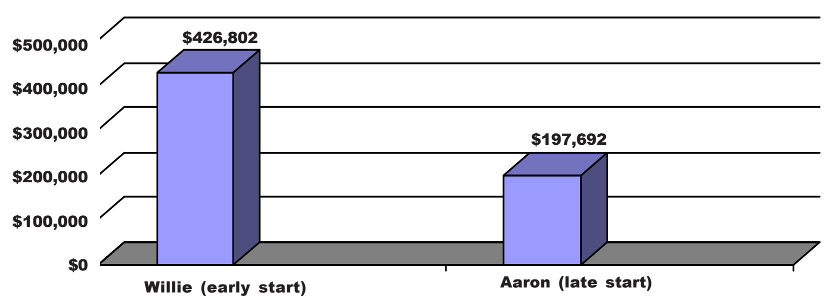
A Tale of Two Brothers

Let's consider the hypothetical example of twin brothers – Willie and Aaron. Willie wanted to build a nice nest egg for retirement, so starting at age 36, he invested $4,000 each year in an Individual Retirement account (IRA) and earned an average annual return of 8%. Willie invested for 20 years, stopped at age 55 and left his money untouched for the next ten years.

Aaron also wanted to build a nice nest egg for retirement, but unfortunately, Aaron was a procrastinator. He started investing at age 46, ten years after his brother. Like Willie, Aaron invested $4,000 each year into an IRA that earned 8% annually. He too invested for 20 years, and stopped at age 65.

Although all factors are identical – except for the start date – the chart below shows the significant impact of starting early. Willie accumulated $426,802 at age 65, while Aaron's total at age 65 was $197,692. Remember, each invested the same total amount: $80,000. Investing at an earlier age and putting the power of time to work gave Willie a nest egg that was more than twice as large as his brother Aaron's.

When I'm 65



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"Over the years, and over the decades, the 'magic of compounding' can make a profound difference in the size of your nest egg."

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Willie Wins Again

To show just how powerful an advantage an early start can be, let's change one factor in the previous example. In this scenario, Willie again starts investing $4,000 each year beginning at age 36 and earns an annual return of 8%. However, let's assume he stops investing at age 45 – after just 10 years – and leaves his money untouched in his IRA.

Aaron, ever the procrastinator, again waits until age 46 to start investing $4,000 a year into an IRA that earns an annual return of 8%. Aaron continues to invest annually for 20 years until age 65. As the graph below illustrates, the results for Willie and Aaron are once again dramatically different. Aaron invested a total of $80,000 and had accumulated $197,692 by age 65. However, Willie invested half as much – $40,000 – but had accumulated $291,692 by age 65 – nearly 50% more money than Aaron. Clearly, it pays to put time on your side.

Don't Wait

As illustrated by the stark contrast in results achieved by Willie and Aaron, procrastinating can have serious consequences. When it comes to investing, don't delay; contact your First Investors Financial Services Representative today. He or she can be a valuable resource who can help you put the power of time on your side. Your representative can analyze your current financial situation, help you pinpoint your goals and gauge your risk tolerance. He or she can discuss what products may be suitable for your unique needs and make specific investment recommendations.

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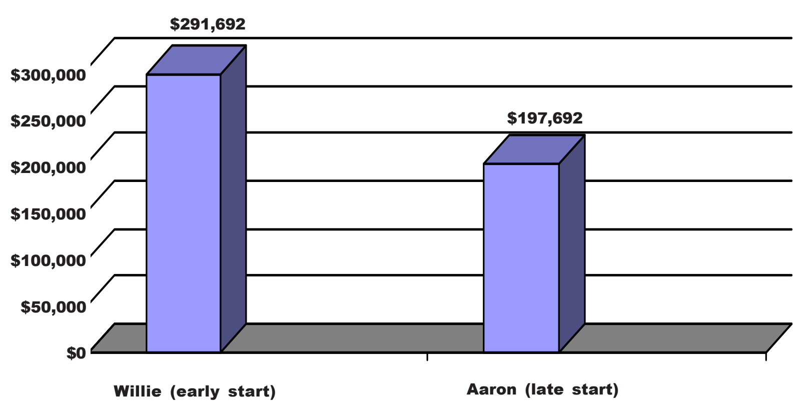
When I'm 65 (Part II)



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