

Advantage of investing early

In a recent study by global firm shows, that people in their 20's are thinking about retirement planning. Usually in the older generation, retirement planning in early 20's was never an idea. Usually, people think of their retirement at the age of 50's. Low salaries at the starting of the career, education loan, burden of families are most important reasons why people do not start early.

But there are few advantages if a person starts early.

1. **Time advantage:** Young people have the advantage of time. Even if the amount less, but compounding interest helps them to achieve their goal. "Compound interest" is considered as the eighth wonder of the world. In a compound interest the Rs. 10000 of monthly SIP at a return of 15% pa becomes appx. Rs. 7 crore in 30 years. But the same amount in same interest rate becomes Rs. 1.51 core in 20 years. So by only extending another 10 years, an investor makes around 4 times extra.
2. **Risk taking ability:** Risk taking ability is higher for a 20-year-old people than a 70-year-old people. Main reason is continuous earnings. Usually in the 20's or 30's, an investor is more of a wealth creation positions wherein 70's, an investor more on a wealth protection position is.
3. **Making mistakes:** A young investor can make mistakes and can recover from it. In 20's a person can make a mistake and has ample time to recover from it. For an aged investor, the advantage of making mistakes is limited.
4. **Tech Savvy:** Usually young people are tech-savvy. By that, they save a lot of time and learning ability increases. Understanding charts, technical analysis, and fundamental analysis are easier for the young investors to learn.

Disclaimer: Mutual funds are subject to market risks. Please read all scheme related documents carefully before investing. This article is neither encouraging not discouraging you to invest. Please consult your financial advisor before investing. Author takes no burden for any kind of investments, profits and losses. Past performance does not guarantee any future returns.

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