SESSION 3 OF 4 · INTEREST

Money can earn money — even while you sleep.

Here's the idea that quietly makes people wealthy: when you save money in the right place, it earns **interest** — a reward for letting it sit. And then that interest earns interest too. Albert Einstein supposedly called it the most powerful force in finance. Let's see why.

Simple interest: earning on what you put in

Interest is a percentage a bank pays you for keeping money with them (or that you pay *them* for borrowing). Say you save **$100** at **10% a year**. Simple interest pays you $10 every year — always calculated on just your original $100.

After 3 years of simple interest: $100 + $10 + $10 + $10 = **$130**.

Compound interest: earning on your earnings

Compound interest is where it gets exciting. Each year you earn interest on your original money **plus all the interest you've already earned**. Your money starts building on itself — a snowball rolling downhill, getting bigger faster.

YEAR	START	+10% INTEREST	END
1	$100.00	+$10.00	$110.00
2	$110.00	+$11.00	$121.00
3	$121.00	+$12.10	$133.10

Same $100, same 10% — but compound interest gave you **$133.10** instead of $130. A few dollars now… but watch what time does to that gap.

The real magic ingredient: time

Over a few years the difference is small. Over decades it's staggering — because the snowball keeps growing. That same $100 at 10%, left alone and never touched:

YEARS	SIMPLE INTEREST	COMPOUND INTEREST
10 years	$200	$259
30 years	$400	$1,745
50 years	$600	$11,739

THE TAKEAWAY

The single biggest lever isn't how **much** you save — it's how **early** you start. A dollar saved at 13 has decades to snowball. The same dollar saved at 40 doesn't. **Time is the ingredient you can never buy back.**

The flip side: the debt trap

Compound interest is a superpower when the money is *yours*. It's a trap when you *owe* it. Credit cards charge compound interest too — often around **20% a year** — on money you borrowed. Left unpaid, your debt snowballs against you exactly the way savings snowball for you.

WATCH OUT

Owe **$1,000** on a credit card at 20% and only make tiny payments, and you can end up paying back **double** — or more. The same force that grows savings can bury a borrower. Use compounding **for** you, never against you.

Next up: where do you put the money to grow it?

Now you know *why* to save early. The last session answers *where*: the difference between saving and **investing** — and what it really means to own a piece of a company.

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