The Rule of 72

The Rule of 72 is a guideline for determining approximately how many years it will take an investment to double in value. It can also be used to determine the interest rate that would be needed for an investment to double in value after a given period of time.

To calculate the number of years required for an investment to double in value, you divide 72 by the annual interest rate (expressed in percentage form).

For example: Freddy invests $1,000 at 3 percent interest in a money market account. He wants his money to double to $2,000. It will take approximately 24 years for his money to double in value. 72/3 = 24 years.

To find the interest rate you need to earn for an investment to double, divide 72 by the number of years you have until you need the money.

Now you try it!

a. George has $700 in an account earning 10 percent. How long will it take to double his money?

b. Jay wants his money to double in eight years. What interest rate does he need to earn?

c. Gennie wants to buy a home in five years. She needs a $10,000 down payment. At what interest rate will her $5,000 double in five years?