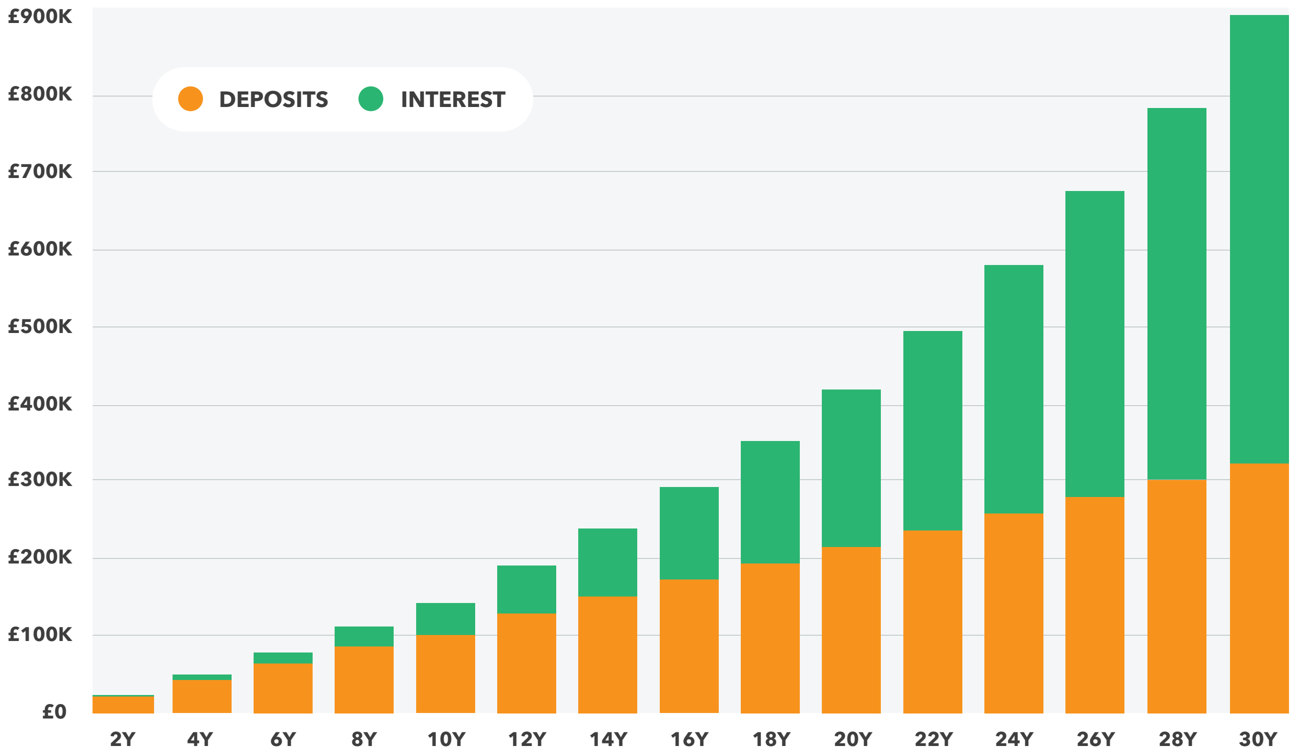
What is **Compound Interest?**

Compound interest is a type of interest that is calculated on the initial principal amount as well as on any accumulated interest from previous periods.

The graph below demonstrates the effect of compounding on the growth of a portfolio over 30 years*.



At first the effect of compounding is small, but over time it results in the exponential growth of the total amount. Compounding depends on the length of time the funds are invested, and the interest rate.

Key Concept - The longer your money is invested, the more time it has to grow.

*Assumes saving £10,000 per year at 6% interest.

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