Time is Money

Our society generally overlooks and undervalues the importance of saving. Saving money early allows time for compound interest to accumulate. Savings help prevent individuals from incurring future debts. Additionally, savings minimize the amount of government funding provided towards expenditures, such as health care costs or food stamps. My firsthand experience of witnessing the value of saving early was when I saved for a summer school trip to Europe.

The main element that affects the amount of interest one earns is time, which is why it is so important to start saving early. The National Center for Policy Analysis reminds us of one of Aesop's Fables about the ant and the grasshopper. The ant works hard putting away food for himself for the winter. However, the grasshopper is content with his current supply and does not bother saving for the future. The story ends with the grasshopper dying of hunger and the ant enjoying the benefits of its savings. The NCPA also supports this theory with an example. The ant begins saving at the age of 25 and invests $1,000 annually for 10 years for a total investment of $10,000. The ant's investment earns 5.5% interest and continues to earn this interest even after he has stopped contributing. At the age of 67, the ant will have accumulated $75,352. On the other hand, the grasshopper does not begin saving until the age of 45. In order for the grasshopper to catch up to the ant financially, he must invest $1,750 annually for 22 years for a total investment of $38,500. This investment is almost quadruple the investment made by the ant (Moore, paragraph 2-5). This example demonstrates the importance of saving early because of compound interest. The investor accumulates money on his initial investment and on previous year's earnings as well. This example shows that even though the ant invested less money, he still earned the same amount as the grasshopper because his investment had more time to grow.

Financial planners advise to save early and save often. This advice provides the basis for an effective savings program and allows individuals to earn interest on their investments over a longer period of time while allowing them to save a smaller portion of their current income to provide for future earnings. By saving money early, individuals will be able to reduce their debt because they will be able to fund or partially fund large purchases, such as a house or a car.

Overall, most people in our nation do not save nearly enough money. People usually save little, if any, of their paycheck. This lack of saving affects everyone in our nation. It affects people that do not save enough because they will lack having money for unexpected expenses. Furthermore, they will not have saved enough for retirement or be able to afford college tuition. Those who do not save adequately also affect taxpayers in general. More government funding is needed to help those people needing public support, such as health care costs or food stamps.

Saving early is one concept that can be agreed upon by anyone with knowledge in financial planning, economics, or just plain common sense. In Suze Orman's book, *The 9 Steps to Financial Freedom*, she offers an interesting scenario that advocates the importance of saving early. Her situation was, "Let's say you meet someone and you know that within a year or two you'll be getting married and that shortly after, you're planning on having a child. If you start putting money away then and there, you'll have to put away less than if you wait" (Orman 251). She then compares the difference in saving $5,464 annually between one who began saving only three years prior to another person over a 20 year time frame. The one who began saving three years earlier would have to put away just $470 a month for 240 months, which amount to $112,800 total. The other person would have to put away $615 a month for 240 months, totaling to $125,460, which is $12,660 more than if you had started just three years earlier. That is a lot of extra money just because she made a smart financial move and started saving earlier, rather than later.

After my freshman year in high school, my family and I decided we were really interested in sending me on the annual school trip to Europe. The plan was to go the summer before my senior year and that gave us two years to save our money. My part was to come up with $500 of the total $2000 trip. My parents and I opened up a savings account specifically for me to see the value of compounding interest. Although the interest rate was a meager 2%, it helped me pay for the trip. I calculated the figure that I would need to save each of the 94 weeks in order to achieve my goal. Including compound interest, I only had to save $4.67 weekly to accumulate a total of $500. The interest, compounded annually at a rate of 2% provided me with $4.85 after the first year and $4.95 after the second year, totaling to $9.80. Although these figures are small, the increase in dividends I received reflects the importance of saving early to allow money time to grow.

It is imperative that young people begin saving their money early because of the compounding interest they will receive. The interest allows them to experience greater financial freedom and flexibility in the future.