

Forum: [Hack Forums](#)

Thread: [Compound Interest // Read if you want to become rich](#)

Captain P. - November 18, 2017, 5:26 pm

[img=425x200]http://www.azquotes.com/picture-quotes/quote-compound-interest-is-the-eighth-wonder-of-the-world-he-who-understands-it-earns-it-he-albert-einstein-36-43-19.jpg[/img]

Introduction

As Einstein said, compound interest is the eighth wonder of the world. Making the 1% richer than they already are. Whilst many fail to understand compound interest. I will explain how compound interest works and provide you with several examples.

Interest

The concept of compound interest might seem confusing to the majority of the planet. But I will explain it so each and everyone of us will be able to understand and use this to his or her advantage in life. As the name suggest, we're working with interests. There are two sorts of interests, simple interest and compound interest.

Simple interest is fairly easy to explain, you have your original loaned out amount and you get paid a steady % over this amount. For example, you borrow someone \$1200 with a 6.5% interest rate, the run time is one year. This means that each month of the year they will pay you 100\$ + 6.5% ($1200 \times 1.065 = \$1278.12$) = \$106.50

Compound interest is more difficult, as this will usually happen with bigger numbers. Sometimes even companies loan their money out against compound interest so they can earn more money on top of their money. Formula:

[img=250x131]http://www.thecalculatorsite.com/images/compound-interest-formula-diagram.png[/img]

Compound interest is interest upon interest, meaning that you will earn more on your loaned out money than you did if you would loan your money out as a simple loan. For example, you borrow a company \$500,000 against a 6.5% interest rate, the run time is 10 years. As the run time is 10 years, the company has to pay you \$50,000 per year, or \$4166,67 per month. Let's just keep it to annually. The first year the company has to pay $\$50,000 \times 1.065 = \$53,250$ - profit of \$3,250.

The second year (yearly amount \$50,000 + interest earned \$3,250) x interest rate 6.5% = \$56,711.25 Profit of \$6,711.25 + \$3,250 (from previous year) = \$9,961.25

With simple interest, in two years you would have profited $\$3,250 \times 2 = \$6,500$. This means that compound interest has gained you an extra \$3,461.25 whilst the run time is the same between simple and compound interest.

Video's & more info:

[Dummies.com: TYPES OF INTEREST AVAILABLE FOR BUSINESS LOANS](#) [Wikipedia: Compound interest](#) [YouTube: Introduction to compound interest](#)

Hope this will help some members understanding.
Thank you.

Feel free to ask questions!

Ganja - November 19, 2017, 3:49 am

Great information and well explained, thanks for this contribution!

Captain P. - November 19, 2017, 6:52 am

(Nov 19, 2017 04:49 AM)El Pusstolero Wrote: [\[CITE\]](#) Great information and well explained, thanks for this contribution!

Thank you!

I'm glad you found this good explained!

Another thread I made:

<https://hackforums.net/showthread.php?tid=5755100>

Silver Haz3 - November 19, 2017, 10:10 am

Great information sir! Thanks for sharing

Captain P. - November 19, 2017, 1:37 pm

(Nov 19, 2017 11:10 AM)SilverHaz3 Wrote: [\[CITE\]](#) Great information sir! Thanks for sharing

Thank you! Appreciate your kind comment.

tee97 - November 20, 2017, 4:53 am

Great post with quality information for free.

There is a book called "How To Own The World by Andrew Craig", it gives quality information on compound interest, inflation, investment accounts (ISA's, SIPPs), the negatives of savings accounts, investment strategies etc. This will really benefit you if you live in the UK as after reading it, you will know how to invest and ways to multiply money by being smart.

Captain P. - November 20, 2017, 2:16 pm

(Nov 20, 2017 05:53 AM)tee97 Wrote: [\[CITE\]](#) Great post with quality information for free.

There is a book called "How To Own The World by Andrew Craig", it gives quality information on compound interest, inflation, investment accounts (ISA's, SIPPs), the negatives of savings accounts, investment strategies etc. This will really benefit you if you live in the UK as after reading it, you will know how to invest and ways to multiply money by being smart.

It's on my list to get myself for Christmas. ?

Mr Brown - November 21, 2017, 1:18 pm

well I got really interested in understanding this so thanks very much bro really appreciated

Captain P. - November 22, 2017, 6:02 am

(Nov 21, 2017 02:18 PM)Mr Brown Wrote: [\[CITE\]](#) well I got really interested in understanding this so thanks very much bro really appreciated

If your dreams don't scare you, dream bigger. <3

Captain P. - January 16, 2018, 4:42 pm

I loaned my first 5K out against compound interest.