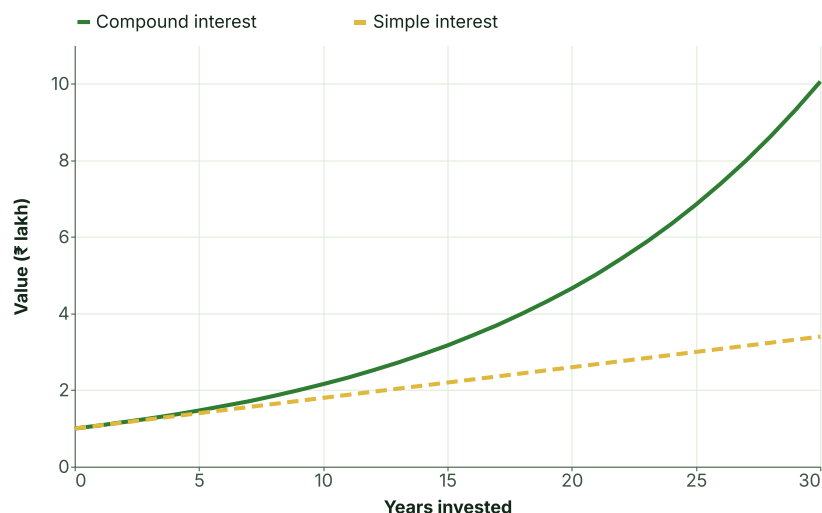


Compound Interest Explained

Why ₹1,00,000 at 8% a year grows to over ₹10 lakh in 30 years with compounding, but only ₹3.4 lakh with simple interest.

₹1,00,000 at 8% a year for 30 years



Compound: $A = P(1 + R/100)^n$, added once a year. Simple: $A = P(1 + Rn/100)$. $P = ₹1,00,000$, $R = 8$, $n = \text{years}$. Illustrative fixed rate.



₹10,06,266

Total with compound interest

₹1,00,000 after 30 years at 8% a year, added once a year.



₹3,40,000

Total with simple interest

Same deposit, rate and 30 years, but interest only on the original sum.



₹6,66,266

Extra earned by compounding

The gap after 30 years: interest earned on earlier interest.



9 years

Rule of 72 doubling time at 8%

$72 \div 8 = 9$. The exact figure is 9.01 years.



A fixed rate is an assumption

Real deposit rates change, and market-linked investments such as mutual funds have no guaranteed return. This is for learning, not investment advice.