*(I am not a financial Advisor, and this is not financial advice. I'm just sharing my "real life" journey with money)*

# "Hey Dad": Money

*Money conversations with my children*

## *"Hey Dad, what is the Pythagorean Theorem?"*

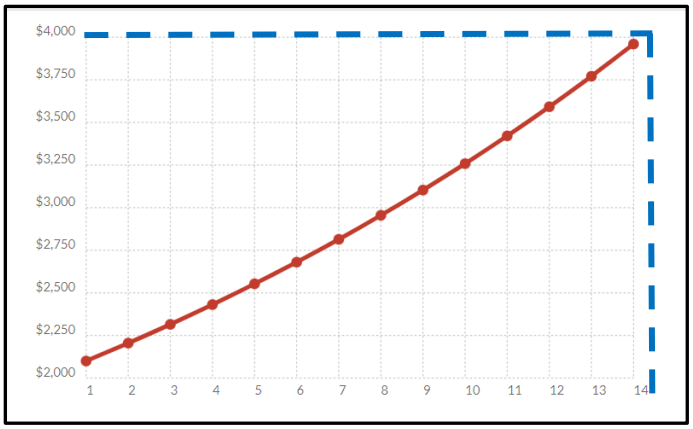
**Why would you ever need to know that kids:**

In school, I learned that the Pythagorean Theorem is a fundamental relation in geometry between the three sides of a right triangle *(sorry to get nerdy on you*). What's really interesting about that is that I've never had the need to use that in my entire adult life. Meanwhile, what I never learned in school was the "Rule of 72", which I happen to use frequently in this ever-changing interest rate environment.

Basically, the Rule of 72 is a method for estimating how long it will take for your money to double, at a specific interest rate. The way it works is, the number "72" is divided by the interest rate number. This will return an approximate number of years that it will take to double your money, at that interest rate.

As an example, let's say you found an online bank that's offering a 5% interest rate on a savings account, and you have $2,000 to deposit. To estimate how long it would take for your $2,000 to grow to $4,000, without any additional deposits to that account, you would divide 72 by 5. Regardless of whether you have $2,000 or $100,000 to deposit, the calculation is the same.

***Example 1: 72/5 = 14.4 Years***




The chart shows you how your initial deposit ($2,000) grows every year, before it eventually doubles at the 14.4-year mark. Imagine if the interest rate on your savings account was 0.04%, like some big banks are now:

***Example 2: 72/0.04 = 1,800 Years***

I hate to be the bearer of bad news, but at 0.04%, your great-grandkids grandkids will never see your deposit double. Be smart with your money. There are a ton of higher interest rate options out there. *"Hey Google!"*

dad@heydadmoney.com