

HEALTH + WEALTH

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Compounding Interests?

The benefit of **compound interest** on your savings is the interest earned on previously-earned interest.

If you were to put £10,000 in a savings account, with a generous interest rate of 2%, you would earn £200 interest in the first year. The following year, with all things remaining equal, you would earn £204 interest (as you would benefit from the extra £4 interest on the £200 interest earned in the previous year).

This compounding principle is surprisingly powerful, albeit seemingly insignificant in the short term. It's so powerful that if you're ever offered the opportunity to choose between taking a "big" lump sum of £3,000,000 or a single 1p that is doubled every day for 31 days, you should take the penny option! (*hint: the single 1p option means that on day 20 you would only have £5,243, but on day 31, you would bank over £10,000,000!*)

The world around us seems to celebrate and aspire to successes from "big" investments, achievements and accolades. Like the £3million instant lump sum!

However, success more often comes from making a handful of smaller repeated steps or investments, which are rarely flashy, attractive or particularly praiseworthy. The seemingly insignificant doubling penny becomes great as it compounds over time.

I appreciate this seems counter-intuitive but it's worth remembering that this compound effect applies even more to our health and wellbeing. Choosing small healthy daily habitual choices compounds towards a healthier, happier lifestyle. We can't complete a marathon until we've put in months of daily steps.

However, like the compounding penny, any long-term effects aren't noticeable for some time.

The alternative is that we drift towards poorer health because the world naturally leads us to make compounding poorer health choices such as sitting for long periods of time, choosing convenience food which is calorie dense but nutritionally poor and live feeling stressed and anxious because we've over committed to a life with no margin.

So this month, instead of focusing on "big" goals and successes, why not focus on something small and straightforward that you know you can do every day? Could this be increasing your steps by 100, reducing 1 sugar in your tea or investing 5 mins in journaling? Whatever you decide, keep it simple and commit to being persistent with it for a little while longer than usual and see what happens!

If you are tempted to give up, it might be helpful to remember this probably feels like day 20 of the compounding penny option, where you would still have only £5,243 in your hand and you believe you've missed out on £3,000,000. However, stick with it! You know that on day 31 you will have reaped over 3 times the reward.

Consistently being disciplined in the small daily deposits with cumulative effects, with compounding benefits, can lead us in the direction of a life lived with better health and wealth interests.

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