SATTREX CAPITAL

WEALTH THAT GROWS AND LASTS FOREVER • PART 4

Start Early; Reach Safely

Principle No. 3: The Power of Compounding & Time Horizon in Wealth Creation

At traffic signal posts and traffic islands, you often see the advisory board: **"Start early; Reach safely."** If we leave our origin even 5 minutes early, we reach our destination calmly. However, if we leave 5 minutes late, we are forced to take unnecessary risks on the road—speeding over limits, jumping lanes, and overtaking rashly just to make up for lost time.

The exact same principle applies to financial planning. Starting our savings journey early provides adequate capital to meet our life goals smoothly. Postponing our investment timeline places us under the immense strain of searching for high-yielding instruments to bridge the gap. In doing so, these high-yielding instruments come with varying degrees of risk to principal capital, often resulting in capital erosion and loss of hard-earned money.

MATHEMATICAL PROOF: COMPARATIVE SCENARIOS

> **Scenario Setup:** Mr. Atul and Mr. Prakash are colleagues of the same age and income level working at the same company. Let us analyze how the timing of their investments impacts their retirement fund at age 60.

Scenario 1: Starting at Age 25 vs. Age 50 (10-Year Horizon Each)

Mr. Atul saves **₹10,000/month** from age 25 to age 35 (investing for 10 years and letting it compound until age 60 at 8% IRR). His final corpus grows to **₹1,28,12,000 (₹1.28 Crores)**.

Mr. Prakash starts saving **₹10,000/month** at age 50 (after his family obligations settle) until age 60. At 8% IRR, his corpus reaches only **₹18,41,000**.

- **To match Mr. Atul's corpus at 8% IRR:** Mr. Prakash must contribute **₹68,500 every month** from age 50 to 60.
- **To match Mr. Atul's corpus with ₹10,000/month:** Mr. Prakash must chase a risk-heavy return of **37.5% IRR** compounded monthly.

Scenario 2: Starting at Age 25 vs. Age 35 (Continuous to Age 60)

Mr. Atul saves **₹10,000/month** continuously from age 25 to 60 at 8% IRR, building a retirement fund of **₹2,31,000,000 (₹2.31 Crores)**.

Mr. Prakash delays starting until age 35, contributing **₹10,000/month** until age 60 at 8% IRR, achieving **₹95,00,000**.

- **To match Mr. Atul's corpus at 8% IRR:** Mr. Prakash must contribute **₹24,100 every month**.
- **To match Mr. Atul's corpus with ₹10,000/month:** Mr. Prakash must seek an **13.2% IRR** compounded monthly.

Scenario 3: Starting at Age 40 vs. Age 25

If Mr. Prakash starts at age 40 contributing **₹10,000/month** at 8% IRR, his corpus reaches **₹50,00,000** at retirement.

- **To match Mr. Atul's ₹2.31 Crore fund at 8% IRR:** Mr. Prakash must contribute **₹39,000 every month**.

- **To match Mr. Atul's corpus with ₹10,000/month:** Mr. Prakash must find an instrument yielding an **18.0% IRR**.

MASTER COMPARISON TABLE

Investor	Investment Period	Monthly Savings (₹)	Fund at Age 60 (₹)	Required IRR (%)
Mr. Atul	**Age 25 to 35**	**₹10,000 / month**	**₹1,28,12,000**	**8%**
Mr. Prakash	Age 50 to 60	₹10,000 / month	**₹18,40,000**	8%
		₹68,500 / month	₹1,28,12,000	8%
		₹10,000 / month	₹1,28,12,000	**37.5%**
Mr. Atul	**Age 25 to 60**	**₹10,000 / month**	**₹2,31,000,000**	**8%**
Mr. Prakash	Age 35 to 60	₹10,000 / month	**₹95,00,000**	8%
		₹24,100 / month	₹2,31,000,000	8%
		₹10,000 / month	₹2,31,000,000	**13.2%**
Mr. Prakash	Age 40 to 60	₹10,000 / month	**₹50,00,000**	8%
		₹39,000 / month	₹2,31,000,000	8%
		₹10,000 / month	₹2,31,000,000	**18.0%**

Start Early & Reach Safely with Sattrex Capital

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