

Personal Finance

Week 5:
Save money by
quitting smoking

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Economic Snapshot
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Stop smoking and earn more than \$250,000

Regular savings are an important key to building personal wealth. Although the current low interest rates on pass-book and time deposits may provide little incentive to save, the sooner you start, the faster and larger your savings will grow.

It doesn't take a lot to accumulate a substantial amount of money if you give your money time to grow. At 5 percent annual interest, saving \$1 per day (about \$30 each month) will grow to \$4,734 in 10 years. Saving \$1 a day for 40 years means you will have deposited \$14,600. However, compounding at 5 percent interest, your savings will have grown to \$46,594.

It's important to consider your options. If you are a 20-year-old smoker with a one-pack-a-day habit, you spend at least \$6 each day on cigarettes. Quitting will not only improve your health, but depositing the money into a savings account, yielding 5 percent annually and compounding daily, will grow to \$279,568 in savings by age 60. For nonsmokers, switching from bottled water or diet soda to tap water will save about \$3 per day and grow to become \$139,784.

The following chart illustrates the impact of compound interest on saving \$365 per year at 5 percent annual interest.

What quitting smoking will save you

