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The University of Dayton

News Release

Dec. 28, 1992
Contact: Pam Huber

STOP SMOKING FOR NEW YEAR'S AND GET A BIG PAYOFF

DAYTON, Ohio — If someone paid you more than \$880,000, would you make a New Year's resolution to quit smoking and then stick to it?

If you stop smoking on New Year's Day and invest the money you would have spent on cigarettes, your retirement fund could be anywhere from \$66,322 to \$884,664 richer, depending on how you invest.

"Smokers have no idea of the cost of their habit," says Bernard Winger, personal finance expert at the University of Dayton and a former smoker who kicked the habit in the early 1970s. "What you spend on smoking each year is about what the average family manages to put into the savings account."

Winger calculated his findings for a person who smokes about one \$16.50 carton of cigarettes per week. He explored three options for investors: ultra-safe U.S. Treasury bills that pay about 3 percent annual interest; a large portfolio of common stocks, specifically the Standard & Poor's 500 stock index that shows an average 10.4 percent rate of interest over the past 66 years; and a riskier investment into small capitalization stocks, or the smaller companies listed on the New York Stock Exchange, which show a 12.1 percent rate of return over the past 66 years.

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A smoker who channels his or her cigarette money into Treasury bills would reap \$871 after one year; \$4,627 in five years; \$10,002 in 10 years; \$23,504 in 20 years; and \$66,322 in 40 years. Investors who opt for the large portfolio of common stocks would earn \$903 in one year; \$5,620 in five years; \$15,067 in 10 years; \$57,650 in 20 years; and \$518,149 in 40 years.

For the risk-takers, the numbers add up quickly. Investing in the small capitalization stocks would come to \$911 in one year; \$5,885 in five years; \$16,655 in 10 years; \$72,429 in 20 years; and a whopping \$884,664 in 40 years.

“The fact that you smoke may mean that you’re a risk-taker,” says Winger. “Plus it’s money you would have spent anyway on cigarettes, so why not take a risk? You could be ‘smoking up’ a rich retirement or at least a new car.”

NOTE TO EDITORS: Bernie Winger will be available at his UD office at (513) 229-2410 beginning Jan. 4.