Compounding Frequency

Money

How often interest is added, and how much difference it makes.

£1,000 at a nominal 10% for one year.

Compounded	Effective rate	Value
Annually	10.00%	£1,100.00
Semi-annually	10.25%	£1,102.50
Quarterly	10.38%	£1,103.81
Monthly	10.47%	£1,104.71
Daily	10.52%	£1,105.16
Continuously	10.52%	£1,105.17

The gain from monthly to daily compounding is negligible. The rate matters enormously more than the frequency.