Name: _____

Interest Rates and Savings

Calculate your savings growth using simple interest and compound interest.

Simple interest is calculated based on the initial amount put in a savings account.

Coumpound interest is calculated based on the initial amount put in a savings account plus the gains made each month.

Simple Interest Calculation

Deposit $100 at 3% interest yearly.

Each year you will make $100 x 0.03 (3%) = $3.00

After 5 years you will make $3.00 + $3.00 + $3.00 + $3.00 + $3.00 = $15.00

Compound Interest Calculation

Deposit $100 at 3% interest yearly.

Year one you will make $100 x 0.03 (3%) = $3.00

Year two you will make $103 x 0.03 (3%) = $3.09

Year three you will make $106.09 x 0.03 (3%) = $3.18

Year four you will make $109.27 x 0.03 (3%) = $3.28

Year five you will make $112.55 x 0.03 (3%) = $3.38

After 5 years you will make $3.00 + $3.09 + $3.18 + $3.28 + $3.38 = $15.93

Using the above examples, calculate the simple interest and compound interest of $200 deposited into a bank account with a 2% interest rate for 3 years?

Name: _____

Interest Rates and Savings: Answer Key

Simple Interest Calculation

Deposit $200 at 2% interest yearly.

Each year you will make $200 x 0.02 (2%) = $4.00

After 3 years you will make $4.00 + $4.00 + $4.00 = $12.00

Compound Interest Calculation

Deposit $200 at 2% interest yearly.

Year one you will make $200 x 0.02 (2%) = $4.00

Year two you will make $204 x 0.02 (2%) = $4.08

Year three you will make $208.08 x 0.02 (2%) = $4.16

After 3 years you will make $4.00 + $4.08 + $4.16 = $12.24