Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Calculating Interest**

*Read each question then calculate your answer. Use the space below each problem to show how you arrived at your answers.*

1. If you put $200 in a savings account that paid 5.5% simple interest each year, how much interest would you earn in five years?
2. If you put $150 in a savings account that paid 6% compounded yearly, how much interest would you earn in five years?
3. If you put $25 each month into a savings account that paid a simple interest rate of 6.5% each year, how much would you have in your account at the end of two years?
4. ***Extra Credit!*** If you put $10 each week into a savings account that paid 6% interest compounded yearly, how much money would you have in your account after three years? (Hint: Use the *How Much Will My Savings Grow Calculator* on Mrs. Burnett’s website: [www.mrsburnett.weebly.com/intro-to-business.html](http://www.mrsburnett.weebly.com/intro-to-business.html))

*The Rule of 72 provides an easy way to obtain a rough estimate of how quickly your money can grow based on a compounded fixed interest rate. Divide 72 by the interest rate you are earning and that will tell you the number of years it will take to double your money. You can also divide 72 by the number of years you want it to take to double your money to determine the interest rate you’ll need to accomplish this.*

Here are a few examples of the Rule of 72 in action:

* At 5% interest, your money takes 72 ÷ 5 or 14.4 years to double.
* To double your money in 10 years, you need an interest rate of 72 ÷ 10 or 7.2%.

*Now you try the Rule of 72! For each problem below, fill in the missing information.*

|  |  |  |
| --- | --- | --- |
|  | **Rate of Return (Interest Rate)** | **# of Years** |
| **5.** 72 divided by | 3% |  |
| **6.** 72 divided by | 5% |  |
| **7.** 72 divided by |  | 6 |
| **8.** 72 divided by |  | 15 |
| **9.** 72 divided by | 4% |  |
| **10.** 72 divided by |  | 10 |