

Lesson 8

Name: _____

Date: _____

The power of compounding

Simple interest	
Principal	\$1,000.00
Annual interest rate	0.07
Year	6
Amount earned	\$1,420.00

Compound interest		6% compounded annually
Principal	\$1,000.00	
Annual interest rate	0.06	
Compounding periods per year	12	
Year	30	
Amount earned	\$6,022.58	

Smarties activity

	# of Smarties at the end of:									
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Simple interest 10%										
Compound interest 10%										

Investigation

	Balance of \$1,000 investment at the end of:									
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 10	Year 20	Year 30
Simple interest 7%										
Compound interest 6%										

Lesson 8

Answers

Smarties activity

	# of Smarties at the end of:									
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Simple interest 10%	\$11.00	\$12.00	\$13.00	\$14.00	\$15.00	\$16.00	\$17.00	\$18.00	\$19.00	\$20.00
Compound interest 10%	\$11.00	\$12.10	\$13.31	\$14.64	\$16.11	\$17.72	\$19.49	\$21.44	\$23.58	\$25.94

Investigation

	Balance of \$1,000 investment at the end of:									
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 10	Year 20	Year 30
Simple interest 7%	\$1,070.00	\$1,140.00	\$1,210.00	\$1,280.00	\$1,350.00	\$1,420.00	\$1,490.00	\$1,700.00	\$2,400.00	\$3,100.00
Compound interest 6%	\$1,061.68	\$1,127.16	\$1,196.68	\$1,270.49	\$1,348.85	\$1,432.04	\$1,520.37	\$1,819.40	\$3,310.20	\$6,022.58