

Would You Rather?

Scenario A

For \$5000 in a savings account for 4 years, would you rather have:

- an annual rate of 4% simple interest, or
- an annual rate of 3% compound interest?

Scenario B

For a loan of \$5000 for 5 years, then you repay the loan, would you rather have:

- an annual rate of 3.25% simple interest, or
- an annual rate of 2.75% compound interest?

Scenario C

For a credit card debt of \$5000 with an annual interest rate of 17.5% compounded monthly, would you rather pay:

- the minimum monthly amount only, or
- the minimum amount plus \$10, or
- a fixed monthly rate of \$200?

Justify each decision.

Helpful Websites

Simple Interest Calculator:

<https://www.calculatorsoup.com/calculators/financial/simple-interest-plus-principal-calculator.php>

Compound Interest Calculator:

<https://www.getsmarteraboutmoney.ca/calculators/compound-interest-calculator/>

Deferred Payment Loan Calculator:

<https://www.calculator.net/loan-calculator.html?c2loanamount=5000&c2loanterm=5&c2loantermmonth=0&c2interestrate=2.75&c2compound=annually&x=60&y=24&type=2#intheend>

Credit Card Payment Calculator:

<https://itools-ioutils.fcac-acfc.gc.ca/CCPC-CPCC/CCPCCalc-CPCCCalc-eng.aspx>