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Name	Date	
Name	Date	

Financial Literacy
Unit 1 Line Master 6a

Would You Rather? Answers

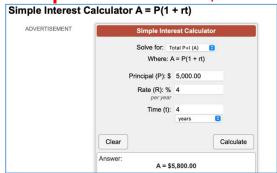
Scenario A

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?

Simple interest: \$800;

Compound interest \$627.54



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



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

Name	Data
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Number Unit 4 Line Master 6b

Would You Rather?

Answers (cont'd)

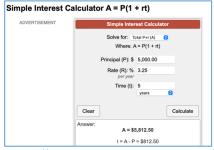
Scenario B

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?

Simple interest: \$812.50

Compound interest: \$726.37



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



https://www.calculator.net/loan-

 $\underline{calculator.html?c2loanamount=5000\&c2loanterm=5\&c2loantermmonth=0\&c2interestrate=2.75\&c2compound=annually\&x=60\&y=24\&type=2\#intheend$

Name Date	
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Number Unit 4 Line Master 6c

Would You Rather?

Answers (cont'd)

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?

Paying a fixed amount each month saves \$3276.28

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

	Option A: What if you only make the minimum payment each month?	Option B: What if you make the minimum payment plus an additional amount each month?	Option C: What if you pay a fixed amount each month?
Time to pay off	18 years and 5 months	11 years	2 years and 8 months
Original balance	\$5,000.00	\$5,000.00	\$5,000.00
Interest paid	\$4,540.91	\$3,400.52	\$1,264.63
Total paid	\$9,540.91	\$8,400.52	\$6,264.63
Amount saved	-	\$1,140.39	\$3,276.28
Time saved	-	7 years and 5 months	15 years and 9 months