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| **Determining Simple Interest and Compound Interest** | | | |
| Understands and calculates simple interest  Simple interest is money earned  on an investment and money paid on a loan.  If I save $500 for 3 years at 6% annual simple interest, the interest earned is:  $500 × 3 × 0.06 = $90 | Understands and calculates compound interest  Compound interest is interest earned on interest for an investment, or interest paid on interest for a loan.  I use an online calculator.  If I save $500 for 3 years at 6% compound annually, the interest earned is $95.51. | Understands the implications of interest on a loan  A person borrows $10 000 for  10 years and pays 8% interest.  If the person pays simple interest, the amount owing after 10 years is $18 000.  If the person pays interest compounded annually, the amount owing after 10 years is $21 589.25.  It costs much more to borrow money with compound interest. | Understands the effect of different compounding periods on a loan  A person owes $7000 for 5 years  and pays 15% interest.  If the interest is compounded  annually, the amount owing after  5 years is $14 079.50.  If the interest is compounded daily,  the amount owing after 5 years is  $14 816.72.  The amount owing increases faster when the compounding period  is more frequent. |
| **Observations/Documentation** | | | |
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