|  |
| --- |
| **Growth and Impact of Interest at Different Rates** |
| Understands and calculates simple interestSimple 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 interestCompound 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 loanA 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 loanA 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** |
|  |  |  |  |