**Saving Accounts & Simple Interest**

*Key Terms:*

|  |  |
| --- | --- |
| Savings Account |  |
| Money Market Account |  |
| Certificate of Deposit |  |
| Bond |  |
| Pay Yourself First |  |
| Mutual Fund |  |
| Stock |  |
| Principal |  |
| Interest |  |

Short Term vs. Long Term

Risk and Reward

Rule of 72

Simple Interest

**Example 1:** Mitchell deposits $1,200 in an account that pays 4.5% simple interest. He keeps the money in the account for three years without any deposits or withdrawals. How much is in the account after three years?

**Example 2:** How much simple interest does $2,000 earn in 7 months at an interest rate of 5%?

**Example 3:** How much principal must be deposited to earn $1,000 simple interest in 2 years at a rate of 5%?

**Example 4:** Derek has a bank account that pays 4.1% simple interest. The balance is $910. When will the account grow to $1,000?

**Example 5:** Kerry invests $5,000 in a simple interest account for 5 years. What interest rate must the account pay so there is $6,000 at the end of 5 years?