

Math 7 - Unit 4

Day 9 - Simple Interest

Lesson Objectives:

- I can use proportional relationships to solve percent problems involving simple interest.

Simple interest is the amount of money paid or earned for the use of money. For a savings account, interest is earned. For a credit card, interest is paid.

To find simple interest, use the formula

$$I = Prt$$

P is the principal or the amount of money in the account

r is the percentage rate for the account

t is the time the money is in the account

I is the interest received at the end of the time period

Why do you want to earn interest?

<http://www.daveramsey.com/index.cfm?event=askdave&intContentItemId=121475>

Where can you EARN interest?

<http://www.daveramsey.com/index.cfm?event=askdave&intContentItemId=116526>



Dave Ramsey
Financial "Guru"

How much interest can you earn each year?

Checking	0.05%	minimum \$500 in account
Savings	0.15%	minimum \$25 in account
CD (3-5 months)	0.15% minimum	\$500 in account
CD (12-23 months)	0.45% minimum	\$500 in account
CD (48-59 months)	1.15% minimum	\$500 in account
CD (60+ months)	1.60% minimum	\$500 in account
Mutual Funds	8-20%	
401K	5-25%	
Stocks	varies greatly	
Bonds	2-8%	

Suppose you invest \$2000 at an annual interest rate of 4.5%. How much money will you earn after 5.5 years?

$$I = Prt$$

$$I = 2000(0.045)(5.5)$$

$$I = \$495$$

\$495

You put \$500 in a savings account. The account earns 3% simple interest per year. What is the interest earned after 3 years? What is the balance after 3 years?

$$I = Prt$$

$$I = 500(0.03)(3)$$

$$I = 45$$

$$500 + 45 = 545$$

\$45
\$545

Maria Morales has saved some money that she wishes to invest. Her banker has provide the terms, interest rates, and minimum investments on the certificates of deposit, or CDs, that they offer. Use the in information in the table below to determine which CD option Maria should choose.

Option	Minimum Investment	Monthly Interest Rate (percent)	Term (months)	Interest for Term
1	\$2500	0.375%	6	4.69
2	\$2500	0.45%	12	11.25
3	\$5000	0.54%	36	81.00
4	\$7500	0.625%		234.38

Homework

4.4 pg 182 #4-23, 28-31, 33, 35, 37

* Individual Think Time *



What to do if you get stuck...

- Reread the problem. Did you write it down correctly?
- Reread your notes. Is there a problem similar that we did together in class?
- Find a problem similar in your book. Try this one to see if it helps.
- Skip the problem until the end of Individual Think Time. Then ask an "educated" question of a neighbor or Mrs. Call.

Today we're working by...

