Teacher Worksheet

Vocabulary

Principal: An amount of money owned by an investor and held by a financial institution such as a bank.

Deposit(s): The act of establishing, or adding to, existing principal in an account (verb); the money placed in the account (noun).

Interest: The amount of money you earn by leaving deposits in a bank or financial institution. Interest is a percentage of your principal.

Term: The period of time an investment lasts.

Annual percentage rate (APR): The percentage rate at which interest is calculated annually.

Certificate of deposit (CD): An agreement between an investor and a bank (or financial institution) whereby the investor agrees to put a certain amount of money on deposit (this is the principal) for a certain amount of time without withdrawing it (this is the term) and the bank agrees to pay the investor interest at an agreed-upon percentage rate, known as the **annual percentage rate (APR).**

Compounding period: The amount of time that elapses between interest payments.

- **Annual compounding:** once per year
- **Quarterly compounding:** once every three months
  - January – March: 1st quarter
  - April – June: 2nd quarter
  - July – September: 3rd quarter
  - October – December: 4th quarter
- **Monthly compounding:** once per month

Compound interest: Interest calculated on both the principal you have on deposit and on interest that has accumulated in the past.