Name _____ Date _____

Student Worksheet

NOW YOU TRY: APR, APY AND COMPOUND INTEREST

Annual Interest

1. Andrea wants to invest **$2,000** at her bank. She picks an annual certificate of deposit that will pay her **3%** interest each year.

(Remember, 3% is 0.03 when written as a decimal.)

A. How much interest will Andrea earn for the year?

B. What will Andrea's balance be after one year?

2. Now, let's say Andrea decides to leave her money in the bank for three years.

A. What is the term of Andrea's certificate of deposit?

B. Fill in the table to find out how Andrea's investment grows.

	Beginning Balance	3% Interest	Ending Balance
Year 1	$2,000.00		
Year 2			
Year 3			

Name _____ Date _____

Annual vs. Quarterly Interest

3. Andrea wants to invest **$2,000** at her bank. She decides to open a statement savings account, which compounds quarterly, instead of an annual certificate of deposit. This statement savings account will pay her a **3%** APR.

(Remember, 3% is 0.03 when written as a decimal.)

A. How often does Andrea's account compound?

B. What will Andrea's 1st quarter interest payment be?

C. What will Andrea's balance be when the year is over?

	Beginning Balance	3% Interest	Ending Balance
1st quarter	$2,000.00		
2nd quarter			
3rd quarter			
4th quarter			

D. What APY will Andrea's statement savings account earn for the year?

Name _____ Date _____

Quarterly vs. Monthly Interest

Andrea wants to invest **$2,000** at her bank. She decides to open a money market savings account, which compounds monthly, instead of a statement savings account. This money market savings account will pay her a **3%** APR.

(Remember, 3% is 0.03 when written as a decimal.)

	Beginning Balance	3% Interest	Ending Balance
1st month	$2,000.00		
2nd month			
3rd month			
4th month			
5th month			
6th month			
7th month			
8th month			
9th month			
10th month			
11th month			
12th month			

4. What APY will Andrea's money market savings account earn for the year?