

THINK CRITICALLY

Handwrite your responses in the space below; 2 sentences each.

1. What is the purpose of a savings account?
2. What is the sum of money set aside on which interest is paid called?
3. What is the formula for calculating simple interest?
4. How does compound interest differ from simple interest?
5. How do a certificate of deposit and a money market account differ from a regular savings account? How are they the same?
6. Why is a U.S. savings bond considered a safe form of saving?
7. What is the purpose of an IRA? What types of companies offer IRAs?
8. How do the amount of time you have to save and the interest you can earn relate to achieving financial goals?
9. What is the Rule of 72 that is related to saving?

10. List some other services banks may provide for customers in addition to checking and savings accounts.



EXCEL PROBLEMS

Use Excel to solve the problems below and email the spreadsheet as an attachment.
MAKE SURE TO USE FORMULAS IN YOUR WORK!
(don't just type the answers)

Compute Interest

1. Selena has placed \$500 in an account that pays simple interest of 5 percent annually. How much interest will Selena have earned by the end of the year?
2. Suki has placed \$800 in an account that pays 4 percent interest compounded quarterly. What will be the balance in the account at the end of 2 years (8 quarters)? How much interest will Suki have earned during that time? Round your answers to the nearest cent.
3. Jessica is considering putting her money (\$50) into a \$100 paper U.S. savings bond. Assume the guaranteed rate of interest is 4 percent. How long will it take for the money to double (reach \$100)? Use the Rule of 72 to find the answer.