**Chapter 1 Lesson #1: SIMPLE INTEREST**

***Vocabulary:***

|  |  |
| --- | --- |
| term |  |
| interest |  |
| fixed interest rate |  |
| principal |  |
| simple interest |  |
| maturity |  |
| future value |  |
| rate of return |  |

***Formulas:***

|  |  |  |
| --- | --- | --- |
| simple interest |  |  |
| future value |  |  |

**Example #1**

Marty invested in a $2500 guaranteed investment certificate (GIC) at 3.5% simple interest, paid annually, with a term of 10 years.

a) How much interest will accumulate b) What is the future value of his

over the term of Marty’s investment? investment at maturity?

**Example #2**

Wendy invested $10 000 in a savings account. She earned a simple interest rate of 6%, paid quarterly on her investment. She intends to hold the investment for 2 years, when she will withdraw all the money to buy a gold-encrusted cactus. Determine the value of the investment at the end of each payment period.

|  |  |
| --- | --- |
| chart | graph |
| |  |  |  | | --- | --- | --- | | year | value of investment | $ | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |

**Example #3**

Vera invested $50 000 in a friend’s business. After four years, her friend paid her out with simple interest, $63 000. What was the interest rate?

**Example #4**

Joe invested $8000 at 6% simple interest, paid semi-annually.

a) How long would it take until she has $12 000?

b) What is the rate of return?

Rate of Return

Assignment: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_