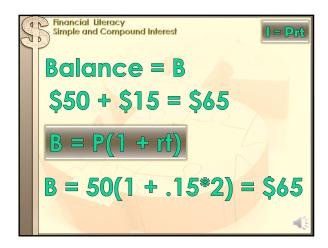
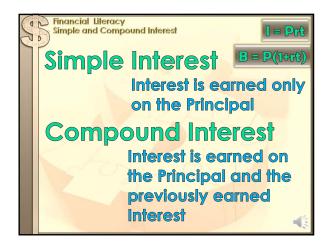


5	Financial Literacy Simple and Compound Interest
	You borrow \$50 and have to pay
	interest of 15%. You repay the
	loan after 2 years. How much
	interest do you owe?
<b></b> 0	I = \$50 * .15 * 2
ou fry	= \$15.00
0	<b>4</b> %









Financial Literacy
Simple and Compound Interest

You just have to have this
fabulous fur coat that costs
\$500. You pay for the coat with a store
charge account that charges 18% interest,
compounded annually. You make no
monthly payments, but after 3 years you
have saved enough to pay off the loan.
How much do you owe?

Financial Literacy simple and Compound Interest
You just have to have this fabulous fur coat that costs
\$500. You pay for the coat with a store charge account that charges 18% interest, compounded annually. You make no monthly payments, but after 3 years you have saved enough to pay off the loan. How much do you owe?
Year 1: B = \$500(1+.18\*1) = \$590
Year 2: B = \$590(1+.18\*1) = \$696.20
Year 3: B = \$696.20(1+.18\*1) = \$812.57

