INTEREST IN YOUR FAVOR

You want a new mountain bike that costs $400. You need to decide if you want to buy the bike now using credit, or wait and save the money to buy the bike, meanwhile earning interest on your savings. You know that you can afford about $16.00 a month from your allowance and lawn jobs.

EARNING INTEREST

You decide to save $16.00 a month to buy the bike. Every month you put $16.00 into a savings account, you earn 0.9 percent interest, compounded monthly.

    a.   How many months will it take to save $400? _____

    b.   How much money will you have saved after the first 13 months? _____

    c.   What will the balance be at the end of the savings period? _____

    d.   How much will you earn in interest? _____

COMPOUND INTEREST CALCULATOR	
Current Principal:	$16.00
Annual Addition:	$192.00
Years to Grow:	2
Interest Rate:	0.9%
RESULTS	
Balance:	$403.62

PAYING INTEREST

You decide to buy the bike now using a credit card. You will pay $16.00 a month to the credit card company. The company will charge 18.5% interest to borrow the $400.

    e.   How many months will it take to pay off the loan? _____

    f.   How much will you pay in interest? _____

CREDIT CARD CALCULATOR	
Current Debt:	$400
Interest Rate:	18.5%
Your Monthly Payments:	$16
RESULTS	
Months to Pay:	34
Total Payments:	$517.97