Name: _____ Date: _____

Saving Money and Interest

Circle group

You can put money in a savings account at a bank. The bank pays you a little extra for using your money. This payment is called interest. It is one reason people save money in a bank.

Say you put in 100 dollars. The bank pays 5 percent interest each year. After one year, you earn 5 dollars. Now you have 105 dollars. In year two, the bank pays interest on 105 dollars. It does not pay only on the first 100. You earn 5 dollars and 25 cents. Now you have 110 dollars and 25 cents.

Interest on interest is called compound interest. At first the extra money is tiny. But it grows a bit faster each year. Make no more deposits, and the account would hold about 163 dollars after ten years. You only put in 100.

Time helps a lot. The longer money stays in the bank, the more it grows. People who start young have an advantage. Rates change from bank to bank. So ask questions and compare before you pick an account.

Questions

1. What is interest?

_____

_____

2. How much money would you have after the first year in the example?

_____

_____

3. What is compound interest?

_____

_____

4. Why is the interest bigger in year two than in year one?

_____

_____

5. Why do people who start saving young have an advantage?

_____

_____

Words to know

interest: money a bank pays you for keeping your savings there
deposit: to put money into a bank account
compound: made of interest that earns more interest
advantage: something that puts you in a better position

Talk together (every group has these)

1. Find one fact that every group read. How did your sheet say it?
2. What did your sheet tell you that you think another group's did not? Ask them.
3. What is one question about this topic that none of the sheets answered?

Name: _____ Date: _____

Saving Money and Interest

Triangle group

When you put money in a savings account at a bank, the bank pays you a little extra for letting it use your money. That payment is called interest. It is one of the reasons people save instead of keeping all their cash in a drawer.

Suppose you deposit 100 dollars in an account that pays 5 percent interest each year. After the first year, you earn 5 dollars, so your balance is 105 dollars. In the second year, the bank pays interest on 105 dollars, not just the original 100. You earn 5 dollars and 25 cents, and your balance rises to 110 dollars and 25 cents.

Earning interest on interest is called compound interest. At first the extra amounts look tiny, but they grow a little faster every year. If you made no more deposits, that account would hold about 163 dollars after ten years, even though you only put in 100.

The lesson is that time is a powerful helper. The longer money stays in an account, the more it can grow, so people who start saving young have an advantage. Interest rates change from bank to bank and from year to year, so it is smart to ask questions and compare before choosing an account.

Questions

1. What is interest?

_____

_____

2. How much would the account hold after the first year in the example?

_____

_____

3. What is compound interest?

_____

_____

4. Why do you earn more interest in the second year than in the first?

_____

_____

5. Why do people who start saving young have an advantage?

_____

_____

Words to know

interest: money a bank pays you for keeping your savings there
deposit: to put money into a bank account
balance: the amount of money in an account
compound: made of interest that earns more interest
advantage: something that puts you in a better position

Talk together (every group has these)

1. Find one fact that every group read. How did your sheet say it?
2. What did your sheet tell you that you think another group's did not? Ask them.
3. What is one question about this topic that none of the sheets answered?

Name: _____ Date: _____

Saving Money and Interest

Square group

When you deposit money in a savings account at a bank, the bank pays you a modest amount extra in return for being allowed to lend and invest your funds. That payment is called interest, and it is one of the main reasons that people save at a bank instead of hiding all their cash in a drawer at home.

Suppose you deposit 100 dollars in an account that pays 5 percent interest annually. After the first year, you have earned 5 dollars, so your balance stands at 105 dollars. During the second year, the bank calculates interest on 105 dollars rather than on the original 100. You therefore earn 5 dollars and 25 cents, and your balance climbs to 110 dollars and 25 cents.

Earning interest on previously earned interest is known as compound interest. At the beginning, the extra amounts seem tiny, but they accumulate a little faster every single year. If you made no additional deposits, that account would hold about 163 dollars after ten years, even though you contributed only 100 dollars yourself.

The lesson is that time is an enormously powerful helper. The longer money remains in an account, the more it can grow, so people who begin saving early in life enjoy a real advantage. Interest rates vary from one bank to another and from one year to the next, so it is wise to ask questions and compare several accounts before choosing one.

Questions

1. What is interest, and who pays it?

_____

_____

2. What would the balance be after the first year in the example?

_____

_____

3. What is compound interest?

_____

_____

4. Why does the account earn more interest during the second year than the first?

_____

_____

5. Why do people who begin saving early in life enjoy an advantage?

_____

_____

Words to know

interest: money a bank pays you for keeping your savings there
deposit: to put money into a bank account
balance: the amount of money in an account
compound: made of interest that earns more interest
advantage: something that puts you in a better position

Talk together (every group has these)

1. Find one fact that every group read. How did your sheet say it?
2. What did your sheet tell you that you think another group's did not? Ask them.
3. What is one question about this topic that none of the sheets answered?

For the teacher: Saving Money and Interest

Each student sheet carries a shape, not a level. The same topic and facts, written three ways.

Circle: Saving Money and Interest

Easier · 165 words · Flesch-Kincaid grade 3.1

1. Money a bank pays you for using your savings.
2. 105 dollars.
3. Interest earned on interest as well as on the money you put in.
4. It is paid on 105 dollars instead of 100 dollars.
5. Their money has more years to grow.

Triangle: Saving Money and Interest

This passage · 197 words · Flesch-Kincaid grade 7

1. A payment a bank makes to you for letting it use your money.
2. 105 dollars.
3. Earning interest on interest as well as on the money you put in.
4. The interest is figured on 105 dollars instead of only 100 dollars.
5. Their money has more years to grow.

Square: Saving Money and Interest

Harder · 228 words · Flesch-Kincaid grade 9.9

1. A payment the bank makes to you for the use of your money.
2. 105 dollars.
3. Earning interest on interest you already earned, as well as on your deposit.
4. The bank figures the interest on 105 dollars instead of only the original 100.
5. Their money has more years in which to grow.