Name: _____ Date: _____

The Rule of 72 for Doubling Savings

Circle group

Say you put $500 into a savings account that pays interest. Interest is money the bank adds to your balance. It is a reward for letting the bank hold your money. How long will it take for $500 to become $1,000? There is a quick way to guess without a calculator.

It is called the Rule of 72. Divide 72 by the yearly interest rate, as a plain number. The answer is about how many years it takes for money to double. At 6 percent, 72 divided by 6 is 12. The money doubles in about 12 years. At 8 percent, it is 9 years. At 4 percent, it is 18 years.

The rule works because of compound interest. Each year the bank pays interest on the first amount. It also pays interest on the interest from before. The balance grows by more each year. So growth speeds up. The guess is not perfect. But it is close for ordinary rates. It also assumes you leave the interest in the account and the rate stays the same.

The rule gives two lessons. A higher rate makes the wait much shorter. And time is a strong helper. Someone who saves at 6 percent while young can see money double many times. But the savings must be left alone to grow.

Questions

1. What is interest?

_____

_____

2. How do you use the Rule of 72?

_____

_____

3. About how long does money take to double at 8 percent?

_____

_____

4. What is compound interest?

_____

_____

5. Why does growth speed up over time?

_____

_____

6. Why is the Rule of 72 only a guess?

_____

_____

Words to know

interest: money a bank pays you for keeping your savings there
balance: the amount of money in an account
compound: made of more than one part, or adding on top of earlier growth

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: _____

The Rule of 72 for Doubling Savings

Triangle group

Suppose you put $500 into a savings account that pays interest. Interest is money the bank adds to your balance as a reward for letting it hold your funds. A natural question is how long it will take for the $500 to turn into $1,000. There is a quick way to estimate the answer without a calculator.

It is called the Rule of 72. Divide 72 by the yearly interest rate, written as a plain number, and the result is the approximate number of years it takes for money to double. If the rate is 6 percent, then 72 divided by 6 is 12, so the money doubles in about 12 years. At 8 percent, the answer is 9 years. At 4 percent, it is 18 years.

The rule works because of compound interest. Each year, the bank pays interest on the original amount and also on the interest that was added before. The balance grows by a larger amount every year, so growth speeds up over time. The estimate is not perfect, but it comes very close for ordinary rates. It also assumes that you leave the interest in the account and that the rate stays the same.

The rule teaches two lessons. A higher rate shortens the wait a great deal, and time is a powerful helper. A person who saves at 6 percent starting young can see money double several times, but only if the savings are left alone to grow.

Questions

1. What is interest?

_____

_____

2. How do you use the Rule of 72?

_____

_____

3. About how long does money take to double at 8 percent?

_____

_____

4. What does compound interest mean in the passage?

_____

_____

5. Why does growth speed up over time with compound interest?

_____

_____

6. Why is the Rule of 72 only an estimate?

_____

_____

Words to know

interest: money a bank pays you for keeping your savings there
balance: the amount of money in an account
estimate: to figure out a close but not exact answer
compound: made of more than one part, or adding on top of earlier growth
approximate: close to the exact amount but not exactly right

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: _____

The Rule of 72 for Doubling Savings

Square group

Suppose that you deposit $500 into a savings account that pays interest. Interest is money that the bank adds to your balance as a reward for allowing it to hold your funds. A natural question follows: how long will it take for the $500 to grow into $1,000? Fortunately, there is a quick method for estimating the answer without reaching for a calculator.

The method is known as the Rule of 72. You divide 72 by the yearly interest rate, written as an ordinary number, and the result is the approximate number of years required for money to double. If the rate is 6 percent, then 72 divided by 6 equals 12, so the money doubles in about 12 years. At 8 percent the answer is 9 years, and at 4 percent it is 18 years.

The rule works because of compound interest. Every year, the bank pays interest on the original amount and also on all of the interest that was added in earlier years. Consequently, the balance increases by a larger amount each year, and growth accelerates as time passes. The estimate is not perfect, though it comes remarkably close for ordinary rates. It also assumes that you leave the interest in the account and that the rate remains constant.

The rule illustrates two valuable lessons. A higher rate shortens the wait dramatically, and time itself is a powerful ally. A person who begins saving at 6 percent while young can watch money double several times, but only if the savings are left undisturbed so that they can continue to grow.

Questions

1. How does the passage define interest?

_____

_____

2. What steps make up the Rule of 72?

_____

_____

3. Roughly how many years does it take money to double at 8 percent?

_____

_____

4. What does the passage mean by compound interest?

_____

_____

5. Why does growth accelerate as time passes with compound interest?

_____

_____

6. Why is the Rule of 72 only an estimate?

_____

_____

Words to know

interest: money a bank pays you for keeping your savings there
balance: the amount of money in an account
estimate: to figure out a close but not exact answer
compound: made of more than one part, or adding on top of earlier growth
approximate: close to the exact amount but not exactly right

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: The Rule of 72 for Doubling Savings

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

Circle: The Rule of 72 for Doubling Savings

Easier · 204 words · Flesch-Kincaid grade 3.7

1. Money the bank adds to your balance for holding your money.
2. Divide 72 by the yearly interest rate to guess the years to double.
3. About 9 years.
4. The bank pays interest on the first amount and on the interest added before.
5. The balance is bigger each year, so each year's interest is larger.
6. It is close for ordinary rates, but it assumes the interest stays in and the rate never changes.

Triangle: The Rule of 72 for Doubling Savings

This passage · 229 words · Flesch-Kincaid grade 6.5

1. Money the bank adds to your balance as a reward for holding your funds.
2. Divide 72 by the yearly interest rate to estimate the years needed to double.
3. About 9 years.
4. The bank pays interest on the original amount and on the interest added earlier.
5. The balance gets bigger each year, so each year's interest is larger than the last.
6. It is close for ordinary rates, but it assumes the interest stays in and the rate never changes.

Square: The Rule of 72 for Doubling Savings

Harder · 248 words · Flesch-Kincaid grade 9

1. Money the bank adds to your balance as a reward for holding your funds.
2. Divide 72 by the yearly interest rate to estimate the years needed to double.
3. About 9 years.
4. The bank pays interest on the original amount and on the interest added in earlier years.
5. The balance gets bigger every year, so each year's interest is larger than the one before.
6. It comes close for ordinary rates, but it assumes the interest stays in the account and the rate remains constant.