NOTES: LESSON 11.1 – **SIMPLE INTEREST** AND **COMPOUND INTEREST**   Name: _____

Learning Goal: I can use formulas to calculate **simple interest** and **compound interest** of different investments and loans. **Meta de Aprendizaje**: Puedo usar fórmulas para calcular el **interés simple** y el **interés compuesto** de diferentes inversiones y préstamos.	**Language Goal:** I can discuss with a partner how to use the formulas for **simple interest** and **compound interest** and then write an explanation. **Lenguaje Objetivo**: Puedo discutir con un compañero cómo usar las fórmulas de **interés simple** y **interés compuesto** y luego escribir una explicación.

SIMPLE INTEREST

$$I = Prt$$

COMPOUND INTEREST

$$A = P(1 + r)^t$$

For both formulas, you need _____ information:

- **P** = **P**rincipal, which is the money that you _____ with.

- **r** = Interest **r**ate, which is a % that _____.

   ➢ To change a percent to a decimal you must _____.

   ➢ Example, **8%** is _____ and **4.25%** is _____

- **t** = **t**ime, which will be the number of _____ .

But what is **INTEREST**!?!?

1. When _____ money, like to buy a car or a house, **INTEREST** is

   _____.

2. When _____ money, like in a savings account, **INTEREST** is

   _____.

SIMPLE INTEREST

$$I = Prt$$

EXAMPLE:

You deposit $1,000 in a savings account that earns 2% *simple interest*. How much interest does the account earn after 5 years?

Step 1: Convert 2% to a decimal:

$$r =$$

Step 2: Substitute and solve!

$$I = P \ r \ t$$

ANSWERS
Interest Earned:
Account Total:

COMPOUND INTEREST

$$A = P(1 + r)^t$$

EXAMPLE:

You deposit $1,000 in a savings account that earns 2% *compound interest*. How much interest does the account earn after 5 years?

Step 1: Convert 2% to a decimal:

$$r =$$

Step 2: Substitute and solve!

$$A = P \ (\ 1 \ + \ r \ )^t$$

ANSWERS
Account Total:
Interest Earned: