Mathematics

Financial Mathematics -Downloadable Resource. Lesson 3 of 4: Savings.

Mr. Thomas

Try this

If you managed to save £25 a month, how long would it be before you had...

1) £1,000?

2) £2,000?

3) £1975?

4) £27,525?

Connect

Simple interest – The interest that accrues upon the initial amount borrowed. It is a fixed sum every year (or other time period).

Compound interest – The interest that accrues upon the initial amount borrowed (or saved), and the interest, as times goes on.

Connect

If I saved £10,000 in the Oak National Bank at 3%, how much money would I have after…

1) 5 years, assuming simple interest?

2) 5 years, assuming compound interest?

3) 32 years, assuming simple interest?

4) 32 years, assuming compound interest?

5) 110.5 years, assuming simple interest?

6) 110.5 years, assuming compound interest?

Independent Task

If I saved £25,000 in the Oak National Bank at 3%, how much money would I have after...

1) 3 years, assuming simple interest?

2) 3 years, assuming compound interest?

3) 27 years, assuming simple interest?

4) 27 years, assuming compound interest?

5) 120 years, assuming simple interest?

6) 120 years, assuming compound interest?

Explore

Most interest rates for savings accounts are around 1% at the moment (July 2020).

1) If you ran a bank, would you prefer to give your customers compound or simple interest on their savings? Why?

2) If you are a customer of a bank, would you prefer to have compound or simple interest on your savings? Why?