

Name: _____

What A Difference Compounding Makes!

Your Aunt Nettie gives you a generous \$1,000 bill for your birthday. After taking your high school personal finance course, you know all about “Paying Yourself First”. You want to put the \$1,000 in a savings account for 10 years at 3% compounded interest (Rate of Return). Your research shows that there are 4 banks that offer this type of an account, but they all compound their interest at different times

This table shows how each bank compounds interest

Bank Name	Type of Compounding	Total \$ After 10 years
Bank of Galactica	Daily	
Savvy Savings and Loan	Monthly	
Piggy's Savings Bank	Quarterly	
Workers Credit Union	Annually	

Step I: Use the [Compound Interest Calculator](http://www.bankrate.com/calculators/savings/compound-savings-calculator-tool.aspx) at <http://www.bankrate.com/calculators/savings/compound-savings-calculator-tool.aspx> to estimate your total savings at each bank using their different types of compounding. Fill in the last column above using the online calculator. **Be sure to add an additional \$25 a month into the account.**

Starting amount:	\$1,000	0	50k	1000k	
Years / months:	10	0	1	50	100
Additional contributions:	\$25	per month			
Rate of return:	3.00%	compound annually			

Step II: After completing the table, answer the following questions:

- 1) At which bank would you earn the most amount of money?
- 2) What is the difference in earnings between the highest and lowest banks?
- 3) Increase the amount of Additional Contributions at the highest earning bank from \$25 per month to \$50 per month. What effect did this have on your estimated total savings?