

Compound Interest and Savings

Instructions: Answer the following questions with the aid of a compound interest calculator (*Use Google!*)

1. Think about your weekly expenses.

- a. Name an expense you could cut out of your weekly routine (Ex. Daily coffee or breakfast at McDonalds)
- b. How much will you save a week by making this change?
- c. Monthly Savings?
- d. Yearly Savings?

2. Think about risk and return.

- a. Do you prefer *low*, *medium* or *high* risk tolerance for investing? Explain why.
- b. Calculate your savings after investing 40 years at an interest of 1.5% (*Low Risk*)
- c. Calculate your savings after investing 40 years at an interest of 5% (*Medium Risk*)
- d. Calculate your savings after investing 40 years at an interest of 10% (*High Risk*)

3. Think about how your risk tolerance and saving strategies may change during different stages of your life (Ex. A *low risk savings account* or a *high risk stock*)

- a. What saving strategy would best suit a student saving for next semester's tuition?
- b. For a young, single worker saving for a house down payment?
- c. For a person at the end of their career, preparing to retire?