

Name _____ Date _____

Introduction to Earning Interest

Saving money at a financial institution that takes deposits allows you to store your money with someone else. The money that you earn for doing this is called interest. **Interest** is money paid regularly at a set rate for the use of money lent. The more money you deposit, and the longer you keep the money deposited, the more interest you will earn, and the larger your account balance will grow.

Joy's bank pays 10% a year interest on the previous year's balance. For the first year, Joy had \$2,000.00 deposited at the bank. If each year Joy does not withdraw any money, finish filling in the following to see how much money Joy will end up with after 8 years. Multiply each year's beginning balance by the interest rate and then calculate the new total balance. Round each calculation to the nearest penny.

Hint: Remember to change the interest rate into a decimal.

Beginning Balance	\$2,000
Interest Earned in Year 1	$2000(.1)=200$
Total	\$2,200
Interest Earned in Year 2	$2200(.1)=$
Total	
Interest Earned in Year 3	
Total	
Interest Earned in Year 4	
Total	
Interest Earned in Year 5	
Total	
Interest Earned in Year 6	
Total	
Interest Earned in Year 7	
Total	
Interest Earned in Year 8	
Total	

What was the total interest earned in 8 years? _____