

# Under the Bed or in the Bank?



## Part I: Questions

(Use the back of this sheet to record your answers.)

**1** After you buy the mountain bike, you put your extra money in a shoe box under your bed. You are still earning a weekly net income of \$244.12 from your job and have weekly expenses of \$125.79. Everything left over you save. How much money will you be able to save after four weeks? Support your answer.

**2** Interest example: \$1,000 was deposited in a bank at 1% interest for a year. How much money was in the account at the end of the year? Support your answer.

**3** The financial wizard offers you three banks to choose from. How much money would you earn from each bank in a year if you deposited \$1,000 in each? Support your answer.

**Bank A**

0.5% annual interest savings account

**Bank B**

2% annual interest savings account

**Bank C**

1.5% annual interest savings account

**4** The wizard then suggests that you visit Bank D, which offers compound interest at 1% every month. If you deposit \$1,000 into Bank D, your account balance would look like this:

**Bank D**

**August 1:** You deposit \$1,000.

**September 1:** Bank pays interest on \$1,000.

$$\$1,000 \times .01 = \$10$$

$$\$1,000 + \$10 \text{ interest} = \text{new balance of } \$1,010$$

**October 1:** Bank pays interest on \$1,010.

$$\$1,010 \times .01 = \$10.10$$

$$\$1,010 + \$10.10 = \text{new balance of } \$1,020.10$$

Complete the math for the rest of the year and determine how much money you will have in your account by next August 1. Round up to the nearest tenth as you do your work. Support your answer.

Saving money is magical!



## Part II: Review

Banks will usually pay interest on money you deposit with them. Use the space below to explain what interest is, and why banks pay it to customers. When you're finished, head over to [www.scholastic.com/mintgame](http://www.scholastic.com/mintgame) to continue your adventures and challenge your financial know-how.

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