Simple vs. Compound Interest

1. Robert has £4000 to invest in a savings account for 3 years.

He finds information about two savings accounts.

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| **Best Bank**Simple interest1.4% each year |  | **Star Savings**Compound interest1.5% each year |

Robert wants to have as much money as possible in his savings account at the end of the 3 years.

Which of these two savings accounts should he choose?

2. Here are the interest rates for two bank accounts.

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| **Central Savings**Compound interest2.5% each year |  | **West Coast Bank**Simple interest2.7% each year |

Betty puts £6400 in each account.

Calculate the difference in value between the two accounts after 8 years.

Give your answer correct to the nearest penny.

3. Shabir wants to invest £500 in a savings account for 6 years.

 He researches interest rates for three different savings accounts.

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| --- | --- | --- | --- | --- |
| **A**Compound interest1.9% each year |  | **B**Simple interest2.1% each year |  | **C**£60 bonus pay-out after 6 years |

 Which savings account should he choose to invest his money in?

4. Adam invests £260 in Eastern Star Bank.

 Mikaela invests £250 in Circle Building society.

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| **Eastern Star Bank**Compound interest1.6% each year |  | **Circle Building Society**Simple interest2.4% each year |

 After how many years will Mikaela’s investment be worth more than Adam’s?

**Extension**: Will Mikaela’s investment always be worth more after this?

 Hint: could you use graphing software to make this easier?