

# Involving Interest

You need: a classmate, a calculator

## ACTIVITY

Kaylene's grandmother has given her \$1,000 to put into a savings account for 6 years to help pay for her university education. Kaylene investigates what three banks are offering. Here are the advertisements she looks at:

### Invercargill Investment Bank

"Watch it grow"  
Interest of 10% per annum  
calculated each year

### Titahi Bay Local Bank

"Surfing the profits"  
A lump sum payment at the end of 6 years:  
amount invested plus an extra 75%

### MARTINBOROUGH Municipal Bank

#### "Making a money mountain"

OUR BEST RATES:  
5% per annum for the first 2 years  
10% per annum for the next 3 years  
20% per annum for the sixth year  
Interest calculated each year

1. Work out the amount that Kaylene would get from each bank at the end of the 6 years. (Don't forget that the interest she gets each year is based on her latest total, which includes any interest from the previous year.)
2. Where should she bank her money?



## INVESTIGATION

With a classmate, investigate interest rates from three banks in or near your town. Look at terms from 3 months to 6 years. Where would you invest \$1,000 and for how long?

