

## Template 2: Simple vs. Compound Interest

Template 2 compares simple and compound interest.

If:

P=the amount of money added to an account

i=interest rate paid per period (usually year)

### simple interest

The future value (F) at any period  $n = P*(1+i*n)$

### compound interest

The future value (F) at any period  $n=P*(1+i)^n$

Use Excel to recreate the “simple/complex” .pdf template found in Angel. Use your created template to solve the following problem:

*A student gets a job after graduation. At age 22 s/he places a one-time deposit of \$3,000 into a ROTH IRA. If the IRA earns 5% per year, what would the account be worth in 10 years? In 20 years?*

Drop off the Excel file in the Angel dropoff folder.