Compound interest

You can put your money into a 'Savings account' in a Bank or a Building society. They usually offer an interest rate, which means you will gain a proportion of your money from the bank through 'Interest'. Therefore, it's worth finding the bank or building society with the best interest rate. The higher the Interest rate, the more money you will make…on the money that you put into a Savings account.

Find out what happens when you leave your money in a savings account for several years. Create a table in to show your calculations – on J2e or draw one and upload.

	Amount £	Interest rate %	Interest £	End of year total
Year 1	£400	10%	10% of £400 = £40	£440
Year 2	£440	10%	10% of £440 = £44	£484
Year 3	£484	10%	10% of £484 = £48.40	£532.40
Year 4	£532.40	10%	10% of £532.40 = £53.24	£585.64
Year 5	£585.64	10%	10% of £585.64 = £58.56	£644.20

Remember: To calculate 10%, you have to divide by 10.
Use a Place value chart.

To work out the total savings at the end of 5 years, you will have to calculate 10% of the new total at the end of each year and add it on each time.