

# Money in the Bank: Your Best Interest

**SUBMITTED BY:** Lee Jackson

**SUBJECT(S):** Personal Finance

**GRADE LEVEL(S):** 9, 10, 11, 12

## ≡ OVERVIEW:

Students will calculate compound interest using the Rule of 72.

## ≡ NBEA STANDARD(S):

- Personal Finance, I. Personal Decision Making

## ≡ RELATED ARTICLES:

- [“Why It Pays to Save: Knowing the Time Value of Money”](#)
- [“The Economy: When Will Happy Days Be Here Again?”](#)
- [“Payday Loans and the Perils of Borrowing Fast Cash”](#)
- [“A Trip to the Bank, Lollipops and World Savings Day”](#)

## NBEA Standard(s):

X. Financial Decision Making

Achievement Standard: Analyze financial data influenced by internal and external factors in order to make short-term and long-term decisions.

## Common Core Standard(s):

Integrate and evaluate multiple sources of information presented in different media or formats (e.g., visually, quantitatively) as well as in words in order to address a question or solve a problem.

**Other Resources/Materials:** Whiteboard, markers and chart paper.

### **Tying it all Together:**

Have students work in pairs to complete the attached sheet.

### Student Worksheet

*Demonstrate:*

Ask students: What is simple interest? How does it differ from compound interest?

*Explain* – One of the more common methods for understanding compound interest is called the Rule of 72. It states:

-You can determine the number of years it takes for an investment to double in value by dividing the number 72 by the investment's annual rate of return.

For example, if your investment were to return 5.6% annually, it would take \_\_ years to double ( $72/5.6 =$  \_\_ years). Many financial advisors explain this rule to investors in order to demonstrate potential investment gains.

Activity (Attached)

**What Worked and What I Would Do Differently:** This is a math-heavy lesson and though kids did the calculations relatively easily, I am not sure they understood how investments actually accrue interest.

**Sources:**

<http://www.brookstonefinancial.com/Glossary.html>