NAME _____ DATE _____ PERIOD _____

Lesson 8 Reteach

Financial Literacy

Simple interest is the amount of money paid or earned for the use of money. To find simple interest I, use the formula $I = prt$. Principal p is the amount of money deposited or invested. Rate r is the annual interest rate written as a decimal. Time t is the amount of time the money is invested in years.

Example 1

PRINCIPAL

Find the simple interest earned in a savings account where $136 is deposited for 2 years if the interest rate is 7.5% per year. ← RATE (AS A DECIMAL)

TIME

$I = prt$	Formula for simple interest
$I = 136 \cdot 0.075 \cdot 2$	Replace p with \$136, r with 0.075, and t with 2.
$I = 20.40$	Simplify.

The simple interest earned is \$20.40.

Example 2

Find the simple interest for $600 invested at 8.5% for 6 months.

6 months $= \frac{6}{12}$ or 0.5 year	Write the time in years.
$I = prt$	Formula for simple interest
$I = 600 \cdot 0.085 \cdot 0.5$	p = \$600, r = 0.085, t = 0.5
$I = 25.50$	Simplify.

The simple interest is \$25.50.

Exercises

PRINCIPAL × RATE × TIME

Find the simple interest earned to the nearest cent for each principal, interest rate, and time.

1. \$300, 5%, 2 years

PRINCIPAL = 300
RATE = 0.05
TIME = 2
300(0.05) = $15 ← ANNUAL INTEREST
15(2) = $30 ← TOTAL INTEREST

2. \$650, 8%, 3 years

PRINCIPAL = 650
RATE = 0.08
TIME = 3
650(0.08) = 52 ← ANNUAL INTEREST
52(3) = 156 ← TOTAL INTEREST

5. \$1,665, 6.75%, 3 years

PRINCIPAL = 1,665
RATE = 0.0675
TIME = 3

6. \$2,105, 11%, $1\frac{3}{4}$ years

PRINCIPAL = 2,105
RATE = 0.11
TIME = 1.75

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Lesson 8 Skills Practice

Financial Literacy

Find the simple interest earned to the nearest cent for each principal, interest rate, and time.

1. \$500, 4%, 2 years

2. \$350, 6.2%, 3 years

5. \$955, 6.75%, $3\frac{1}{4}$ years

6. \$1,540, 8.25%, 2 years

Find the simple interest paid to the nearest cent for each loan, interest rate, and time.

9. \$800, 9%, 4 years

10. \$280, 5.5%, 4 years

13. \$450, 22%, 1 year

14. \$2,180, 7.7%, $2\frac{1}{2}$ years