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

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.

$I = prt$	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 $= \dfrac{6}{12}$ 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

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

1. $300, 5%, 2 years

2. $650, 8%, 3 years

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

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

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