

Lesson 2-8 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.

$$6 \text{ months} = \frac{6}{12} \text{ or } 0.5 \text{ year}$$

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

3. \$575, 4.5%, 4 years

4. \$735, 7%, $2\frac{1}{2}$ years

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

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

7. \$903, 8.75%, 18 months

8. \$4,275, 19%, 3 months

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

3. \$740, 3.25%, 2 years

4. \$725, 4.3%, $2\frac{1}{2}$ years

7. \$3,500, 4.2%, $1\frac{3}{4}$ years

8. \$568, 16%, 8 months

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

15. \$2,650, 3.65%, $4\frac{1}{2}$ years

16. \$1,245, 5.4%, 6 months