- **compound Interest** is interest paid on the original principal of a deposit or loan and also on the accumulated interest.
- The addition of interest to the principal is called *compounding*
- Interest can be compounded periodically.

$$A = P(1 + \frac{R}{n})^{nt} \tag{1}$$

$$I = A - P \tag{2}$$

- A= Accumulated Balance or amount
- P= Principal
- R= Annual rate (in decimal)
- n= Number of compounding periods per year.
- T= time
- I= Interest