

 **BUILDING BLOCKS STUDENT WORKSHEET**

Saving for post-secondary education

The sooner you start saving in an account that pays interest, the faster your money can grow from compound interest.

Compound interest can help you achieve the saving goals you set for your education after high school – whether you choose to attend a community college, a four-year college, a technical or trade school, or other career training program.

Instructions

- 1 Go to the investor.gov compound interest calculator at <https://www.investor.gov/financial-tools-calculators/calculators/compound-interest-calculator>.
- 2 For each scenario:
 - Enter the key information into the calculator.
 - Record the total savings.
- 3 Answer the reflection questions.

REMEMBER

The interest rates, interest rate ranges, and compounding frequencies in the scenarios are for example only.

Scenario A:

Willie got his first job mowing lawns as a freshman in high school. He saved \$500 during that school year and another \$1,000 that summer. His brother suggested that he put his savings into a money market deposit account that earns a higher interest rate than a regular savings account. As he starts his sophomore year, he decides that in addition to his lawn-mowing job, he'll get a part-time job at the local movie theater. Willie plans to add \$200 to his savings account each month from now until he heads off to college. How much will Willie have saved by the time he graduates?



Enter the following information into the compound interest calculator to calculate the savings:

Field	Your entry	Description
Step 1: Initial investment	\$1,500	Amount Willie used to open the money market deposit account
Step 2a: Contribute	\$200	Willie's monthly savings goal
Step 2b: Length of time	3	Number of years until Willie graduates from high school
Step 3a: Interest rate	2	Estimated annual interest rate
Step 3b: Range	2	The interest rate may vary (in this case, up to +/- 2%)
Step 4: Compounding	Semi-annually	Times per year that interest will be compounded

Then click "Calculate" to see how much Willie would have in savings at the end of three years.

Answer \$ _____

Scenario B:

When Kwame was in the 8th grade, his grandmother died and left his parents some money. They decided to put most of this money, \$8,000 to be exact, toward Kwame's higher education costs. After researching their investment options, they chose a five-year certificate of deposit (CD) – a savings tool from a bank or credit union that has a fixed maturity date and a fixed interest rate – because it would give them a decent interest rate and make it hard for them to access the money for other purposes. How much will Kwame have by the time he graduates?

Enter the following information into the compound interest calculator to calculate the savings:

Field	Your entry	Description
Step 1: Initial investment	\$8,000	Amount used to open a CD
Step 2a: Contribute	0	You can't add money to a CD

Field	Your entry	Description
Step 2b: Length of time	5	Number of years until Kwame graduates from high school
Step 3a: Interest rate	3.1	Estimated annual interest rate
Step 3b: Range	0	The interest rate is locked in for this CD
Step 4: Compounding	Semi-annually	Times per year that interest will be compounded

Then click “Calculate” to see how much Kwame would have in savings at the end of five years.

Answer \$ _____

Scenario C:

When Venita was born, her parents asked family members to donate to her future college education. Thanks to these gifts, Venita’s parents opened a savings account in her name with \$650. They made a commitment to put \$100 into that account each month until she graduates from high school. How much will Venita have in this account by the time she graduates?

Enter the following information into the compound interest calculator to calculate the savings:

Field	Your entry	Description
Step 1: Initial investment	\$650	Amount Venita’s parents used to open the savings account
Step 2a: Contribute	\$100	Venita’s parents’ monthly saving goal
Step 2b: Length of time	18	Number of years until Venita graduates from high school
Step 3a: Interest rate	1	Estimated annual interest rate
Step 3 b: Range	1	The interest rate may vary (in this case, up to +/- 1%)
Step 4: Compounding	Annually	Times per year that interest will be compounded

Then click “Calculate” to see how much Venita would have in savings at the end of 18 years.

Answer \$ _____

Reflecting on savings

Take a moment to reflect on what you've learned about compound interest from these three scenarios. What strategies have you learned for growing your savings? Record your thoughts below.