What is interest?

What effect do low interest rates have on our decisions?

https://www.youtube.com/watch?v=kK16Mx0yt58

Borrowing-

Investing-

Variables which effect simple interest (I) include;

1. Present value (P)

2. Interest rate (r)

3. The length the money is invested (t)

Present Value/Principal (P)

This is the value of the money which we invest or we borrow.

For exmaple: Ron takes $22,000 dollars and buys a 6-month GIC that pays simple interest at 1.95%.

Identify the Present value in this question?

Interest Rate (r)

This is always expressed as a percent in the question.

For example: Ron takes $22,000 dollars and buys a 6-month GIC that pays simple interest at 1.95%.

Identify the interest rate in this question.

Time (t)

Time refers to the length of time (<u>in years</u>) that the money is invested or borrowed.

For example: Ron takes $22,000 dollars and buys a 1 year GIC that pays simple interest at 1.95%.

How long does Ron invest his money for?

To find simple interest we use ;

$$I= Prt \text{ or } I= (P) \times (r) \times (t)$$

P= $22,000

r= 1.95%

t= 1 year

Quick Refresher for converting percent to decimals

10%=

11.9%=

1.2%=

Try this

Ron takes $22,000 dollars and buys a 6 month
GIC that pays simple interest at 1.95%.

The amount you owe or borrow is dependent upon three variables which include;

1)

2)

3)

What is interest?

1. What is the interest earned on $1000 GIC paying 2.1% for 3 years.

2. What is the future value?

Hint: Futre Value= Principal + the simple interest.