

# Interesting Interest

Interest is a concept that is related to money and saving.

When you save money in a bank or put it in a special account, the bank will pay you something called interest.

Think of interest as a reward or bonus for keeping your money in the bank. Let's say you have \$100 in your

savings account and the bank pays you 5% interest. That means that over time, the bank will give you an extra \$5 for every year that you keep your money in the account. So after one year, you will have \$105 in your account. The bank pays you interest because they use your money to make more money. They lend your money to other people or invest it in different ways, and they earn money from those activities. The interest they pay you is a way of sharing some of those earnings with you. If you save your money and earn interest over time, your savings will grow. This can help you reach your goals, such as buying a new toy, saving for a vacation, or even saving for college in the future. It's important to understand that interest can work in different ways. There are two main types of interest: simple interest and compound interest. In simple interest, the interest is calculated only on the initial amount of money you saved. In compound interest, the interest is calculated on both the initial amount and any interest that has already been added. So, if you have compound interest, your savings can grow faster because the interest you earn gets added to your initial amount, and then the interest is calculated on that larger sum. Understanding interest is important because it helps you learn about saving money, making it grow, and making smart financial decisions.



# Questions

- 1) In your own words, explain what interest is.
- 2) Why is the bank able to pay you interest?
- 3) Could you make interest by saving money in your own piggy bank? Why or why not?
- 4) What are the benefits of saving money in a bank?