

# Money at Work

Read how savings interest pays you for your deposit.

**SS.8.FL.3.2** “Explain that, for the saver, an interest rate is the price a financial institution pays for using a saver’s money and is normally expressed as an annual percentage of the amount saved.”

NAME \_\_\_\_\_

DATE \_\_\_\_\_

## 1 READ AND MARK \_\_\_\_\_ Read it twice

**YOUR JOB** Underline the sentence that explains what an interest rate is for a saver, circle each annual percentage, and number the details that show who pays, who receives payment, and what time period the rate covers.

### Why Savers Earn Interest

- ① When Maya puts \$500 into a savings account, the bank or credit union can hold and use that money along with deposits from other savers. The institution may lend money to borrowers or make other approved investments. In return for being allowed to use Maya’s deposited money, it pays her interest. For a saver, the interest rate is the price the financial institution pays to use the saver’s money. The payment goes to Maya’s account, increasing her savings.
- ② Interest rates for savings are normally stated as annual percentages. An annual rate tells how much interest is paid in one year for each \$100 saved. If Maya’s account pays 4% per year, the institution pays \$4 in interest for every \$100 of her money it uses during a year. On a \$500 balance, 4% is \$20 for one year, assuming her balance and rate do not change. This example assumes no deposits or withdrawals occur.
- ③ A higher savings interest rate generally means the institution pays the saver more for the same amount over a year. For example, a 2% annual rate pays less than a 4% annual rate on the same balance. Savers can compare rates when choosing accounts, but they should also check account rules, such as minimum balances or withdrawal limits. The interest rate is not a fee Maya pays. It is money the institution pays her for using her saved money.

**2 ANSWER WITH EVIDENCE** \_\_\_\_\_ Use the passage

**1** Why does a financial institution pay interest to a saver?

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**2** What does an annual savings interest rate tell a saver?

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**3** Maya has \$500 saved at a 4% annual interest rate. How much interest would she earn in one year if her balance and rate do not change?

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**4** How would a 4% annual rate compare with a 2% annual rate on the same savings balance?

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**3 YOUR TURN** \_\_\_\_\_ Your own words

Create your own savings example using a deposit from \$100 to \$1,000 and an annual interest rate from 1% to 5%. In two or three sentences, explain who pays interest, calculate the interest for one year, and explain what the rate means for the saver.

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**PART 1 • READ AND MARK**

Underline the sentence that explains what an interest rate is for a saver, circle each annual percentage, and number the details that show who pays, who receives payment, and what time period the rate covers. Accept any marking that follows this job and points at the right text.

**PART 2 • ANSWERS**

| # | QUESTION                                                                                                                               | ANSWER                                                                                         |
|---|----------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|
| 1 | Why does a financial institution pay interest to a saver?                                                                              | <b>It pays interest as the price for using the saver's deposited money.</b>                    |
| 2 | What does an annual savings interest rate tell a saver?                                                                                | <b>It tells how much interest is paid in one year for each \$100 saved.</b>                    |
| 3 | Maya has \$500 saved at a 4% annual interest rate. How much interest would she earn in one year if her balance and rate do not change? | <b>\$20.</b>                                                                                   |
| 4 | How would a 4% annual rate compare with a 2% annual rate on the same savings balance?                                                  | <b>A 4% annual rate would pay the saver more interest over one year than a 2% annual rate.</b> |

**PART 3 • YOUR TURN (SAMPLE ANSWER)**

I save \$800 in an account with a 4% annual interest rate. The bank pays me \$32 after one year because 4% of \$800 is \$32, so the rate is the price the bank pays to use my money.

Accept equivalent explanations that identify the financial institution as the payer and the saver as the receiver. For the open response, accept any correct deposit, rate, one-year interest calculation, and explanation of the rate as payment for using the saver's money.