

Rate Makes It Grow

Compare interest rates and trace their effect on savings.

SS.8.FL.3.4 "Explain that, when interest rates increase, people earn more from their savings and their savings grow more quickly."

NAME _____

DATE _____

1 READ AND MARK _____ Read it twice

YOUR JOB Only in the passage and data table, circle every interest rate. Underline the words or numbers that show what a higher rate does to interest earned and to the ending savings balance.

Jordan Compares Savings Rates

- ① Jordan keeps \$1,200 in a savings account for a future bike repair. A savings account pays interest, which is money the bank adds for keeping savings there. The interest rate tells what percent of the balance is earned over a stated time. When the balance and time are the same, a higher rate means more interest is added.
- ② To compare rates fairly, Jordan keeps the starting balance and one-year period the same. The table shows the interest earned at three possible annual rates. It also shows each ending balance. The numbers do not predict every bank account, because banks may use different terms, but they show the effect of changing only the rate.

JORDAN'S ONE-YEAR SAVINGS COMPARISON

Annual Rate	Starting Balance	Interest Earned in 1 Year	Ending Balance
1%	\$1,200	\$12	\$1,212
3%	\$1,200	\$36	\$1,236
5%	\$1,200	\$60	\$1,260

- ③ At the higher rates, Jordan earns more interest during the year. That added interest makes the ending balance larger, so the savings grow more quickly. If the money stays in the account, later interest may be calculated from a larger balance, depending on the account's rules. Jordan can compare rates before choosing where to save.

2 ANSWER WITH EVIDENCE _____ Use the passage

1 Which two parts of Jordan's comparison stay the same so the rates can be compared fairly?

2 What interest earned and ending balance does the table show for the 3% annual rate?

3 How much more interest does the 5% rate earn than the 1% rate during one year?

4 Use the passage to explain why an account at a higher rate grows more quickly when the starting balance and time are the same.

3 YOUR TURN _____ Your own words

Build a comparison table for \$750 saved for one year. Choose two different whole-number annual rates from 1% through 6%, calculate the interest and ending balance, and write More or Less to compare each interest amount with the other row.

STARTING SAVINGS	ANNUAL RATE	INTEREST IN 1 YEAR	ENDING BALANCE	COMPARED WITH OTHER ROW

PART 1 • READ AND MARK

Only in the passage and data table, circle every interest rate. Underline the words or numbers that show what a higher rate does to interest earned and to the ending savings balance. Accept any marking that follows this job and points at the right text.

PART 2 • ANSWERS

#	QUESTION	ANSWER
1	Which two parts of Jordan's comparison stay the same so the rates can be compared fairly?	The starting balance and the one-year period stay the same.
2	What interest earned and ending balance does the table show for the 3% annual rate?	It shows \$36 in interest earned and an ending balance of \$1,236.
3	How much more interest does the 5% rate earn than the 1% rate during one year?	\$48 more.
4	Use the passage to explain why an account at a higher rate grows more quickly when the starting balance and time are the same.	A higher rate adds more interest during the same time. More added interest creates a larger ending balance, so the savings grow more quickly.

PART 3 • YOUR TURN (SAMPLE ANSWER)

STARTING SAVINGS	ANNUAL RATE	INTEREST IN 1 YEAR	ENDING BALANCE	COMPARED WITH OTHER ROW
\$750	2%	\$15	\$765	Less
\$750	4%	\$30	\$780	More

Accept any two different whole-number rates from 1% through 6% if the interest and ending balances are calculated correctly. The higher rate should have more interest and a larger ending balance when the starting savings and time are the same.