

CD Rates

A **Certificate of Deposit (CD)** is a type of savings account that requires the customer to keep their money invested for a specific length of time before interest can be earned. If the customer leaves their money invested for the stated time, then interest is earned based on the **Annual Percentage Yield (APY)** (*this is the interest rate*).

Look at the **Money Bank of Florida** chart to answer the following questions.

1. Which CD has the lowest interest rate? _____
2. Which CD has the highest interest rate? _____
3. Why would you choose a CD with a lower interest rate? (*Hint: look at the minimum balance of each CD*) _____



	CD on the go	Easy CD	Yearly CD	Sitting CD
Term	28 days	9 months	12 months	18 months
Annual percentage yield (APY)	0.009%	0.03%	0.08%	0.15%
Opening minimum balance	\$1,000	\$5,000	\$10,000	\$10,000

Look at the **Bank of the 27th State** chart to answer the following questions.

4. Which CD has the lowest interest rate? _____
5. Which CD has the highest interest rate? _____
6. Why would you choose a CD with a lower interest rate? (*Hint: look at how long the terms for each CD are*) _____



 **Bank of the 27th State** 

	CD on the go	Easy CD	Yearly CD	Sitting CD	Long CD
Term	100 days	15 months	3 years	5 years	7 years
Annual percentage yield (APY)	0.20%	0.35%	0.4%	0.85%	1.25%
Opening minimum balance	\$250.00	\$250.00	\$250.00	\$250.00	\$250.00

7. Calculate how much interest can be earned from each of the CDs from each of the banks based on the **minimum** required opening balances and record only the **interest** in the chart.

Ex. The minimum opening balance for a CD on the go from Money Bank is \$1,000. The term/time is 28 days, or $\frac{28}{365}$ years. It has a rate of 0.009%.

$$I = prt = (1,000)(0.009)\left(\frac{28}{365}\right) = \$0.70$$

	CD on the go	Easy CD	Yearly CD	Sitting CD	Long CD
Money Bank 	\$0.70				Not Applicable
Bank of the 27th State 					

8. Is it in the customer's best interest to buy a CD on the go from Money Bank or Bank of the 27th State if they have \$1,000?

- a. How much interest would the customer earn if they put \$1,000 into a CD on the go at Money Bank? _____
- b. How much interest would the customer earn if they put \$1,000 into a CD on the go at Bank of the 27th State? _____
- c. Which one is in the customer's best interest? Tell me why.

9. Whose interest would be better served if \$2,000 were deposited in a CD on the go at Money Bank (*the bank or the customer*)?

a. If you deposit \$2,000 into a CD on the go at Money Bank, how much interest would you earn? _____

b. Is it better for the bank to have your \$2,000 deposit to use or for you to earn the interest you calculated for part a? Tell me why.
