

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*).

1. What can you tell about the interest rates and the terms from **Money Bank's** CD Rates?

Hint: Look at how the minimum balance and interest rates (APY) change with each CD.

Write your response here.



	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

2. What can you tell about the interest rates and the terms from **Bank of the 27th State's** CD Rates?

Hint: Look at how the term lengths and interest rates (APY) change with each CD.

Write your response here.



 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

3. 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 					

4. 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? Show how you determined your choice.

Write your response here.

5. 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*)? Explain your reasoning.

Hint: Is it better for the bank to have your \$2,000 deposit or for you to earn some interest on the deposit?

Write your response here.

Car Loans

Now, let's look at some options for buying cars. Often, you pay a *downpayment* on a car and then pay the rest of the price in *installments*, which can be charged extra interest. For each of these problems, we will be assuming it is simple interest.

You want to buy a Shmerokey SUV for \$32,999. Your options are:

Option 1: No money down and 3.99% APR for 72 months.

Option 2: \$3,000 down and 2.75% APR for 60 months.

Option 3: \$4,500 down and 1.99% APR for 60 months.

Record your calculations in the chart below to help compare the different options.

	What you owe after down payment	Interest You Pay (interest on what you owe)	Total you owe (what you owe after down payment + interest)	Monthly payment amount
Option 1				

Option 2				
Option 3				

Which option would you choose? *Hint: look at the term lengths, monthly payments and rates.*

Write your response here.