

# Understanding Savings Accounts

## UNDERSTANDING INTEREST

Interest is money that can be earned on a bank account. This money can be earned on various accounts, including checking and savings accounts. To make wise decisions about saving money, people must review and compare how much interest will be paid. Read each situation and choose the best option.



**K**aren has \$400 in a savings account that earns 4% interest per year. She owes \$200 on a credit card that charges 14% per year.

\_\_\_\_\_ Karen should keep the \$400 she has saved and make monthly payments on the credit card.

\_\_\_\_\_ Karen should take money out of her savings account to pay the credit card off.

**A**lice is 31 years old and planning to invest \$2,000. She already has \$10,000 in a savings account that earns 3% interest per year and \$10,000 in stocks.

\_\_\_\_\_ Alice should put the money in the bank for a guaranteed 3% gain.

\_\_\_\_\_ Alice should buy stocks for a possible 20% gain, knowing she might lose her money.

\_\_\_\_\_ Alice should loan the money to her reliable friend at 9%.

**D**avid won \$5,000 on a TV game show. He does not have a savings plan. After paying taxes on his winnings, he wants to save the rest of the money.

\_\_\_\_\_ David should put the money in the bank for a guaranteed 3% gain.

\_\_\_\_\_ David should buy stocks for a possible 20% gain, knowing he might lose the money.

\_\_\_\_\_ David should loan the money to his reliable friend at 9%.

**A**llen is fifteen years old. He has \$1,000 in his dresser drawer. He is worried that someone might steal the money.

\_\_\_\_\_ Allen should find a better hiding place. Maybe the attic would be a good idea.

\_\_\_\_\_ Allen should put the money in a savings account that pays 4% interest because it would be safe, and he could earn over \$40 a month.

\_\_\_\_\_ Allen should send the money to an investor he saw on a TV infomercial. The man guaranteed a 10% return.