

§3-1

- Savings : Save now
–Buy Later

Types of places to Save

- Commercial Banks
- Under your mattress
- Bury in the back yard
- Savings banks (North Eastern part of the US)
- Savings & Loan Associations: Thrift Institutions
- Credit Unions-non profit financial inst.

How do we choose???????

- Interest??
- FDIC Insured
- Liquidity
- Atm fees
- Candy at the counter

Types of accounts

- Regular Savings accounts
- Passbook accounts
- Statement accounts
- Money Market accounts
- Interest checking accounts
- CD

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- Ask Yourself 1-6

Simple Interest

- $i = prt$
- $i = \text{interest}$
- $p = \text{principal}$
- $r = \text{rate}$
- $t = \text{time periods}$

Example

- You can save \$125 /wk. After 1 year you decide to use your savings to purchase a 1 year CD that pays 5.39% simple interest.
- A) how much can you save in 1 yr (52 wks)
- B) How much interest will the CD earn?
- C) what will the value of the CD be after it matures in 1 year?

Example

- You save \$750 per month, after 6 mo you buy a 6 mo CD which pays 5.2%. What is the value of the CD at the end of 6 mo time period?

EXAMPLE

- Lauren wants to buy a laptop. She found one on sale for \$499.95. She can save \$81 per week. The sale ends in 6 weeks. Will she have enough to buy the laptop.

Assignment

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