

NAME: \_\_\_\_\_

*Finance*  
*Quiz 2*  
*“Saving”*

1. How much interest is earned by investing \$800 for 3 years at 5% simple interest?

Interest = \$ \_\_\_\_\_

2. What is the total amount in savings after 2 yrs 6 months, if \$300 was invested at 3.75% simple interest?

Total in savings = \$ \_\_\_\_\_

NOTE: Use the compound interest formula:  $T = P\left(1 + \frac{r}{n}\right)^{n \times t}$  to answer questions 3 & 4.

3. \$1200 is invested at 4% interest compounded daily. Find out how much money is in the account after 2 years.

Total in account = \$ \_\_\_\_\_

4. \$500 is invested at 5.5% interest compounded quarterly. Find out how much money is in the account after 5 years.

Total in account = \$ \_\_\_\_\_

5. What are the doubling times for each of these investments?

- a) Passbook savings account that pays 3% interest.

Doubling time = \_\_\_\_\_ yrs

- b) Savings bond that pays 5.5% interest.

Doubling time = \_\_\_\_\_ yrs

6. Use the doubling time formula to decide how much money will be in an account after 36 years if \$200 was invested at 4% interest.

Amount after 36 years = \$ \_\_\_\_\_

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7. Circle the savings option that would most likely be called the *riskiest* or *least secure*:

- \* Certificate of Deposit (CD)
- \* Regular Savings Account
- \* Bond issued by a new electronics company
- \* Money Market account
- \* Bond issued by the federal government

8. List one drawback to investing your money in a "safe" savings account.

9. A person has a taxable income of \$25,000. If this individual decides to put \$3000 into an IRA, how much money will be saved on income tax if the tax rate is 25%?

Amount of money saved on taxes = \$\_\_\_\_\_

10. Given the following information, how much money can a person save on income taxes?

Taxable income: \$18,500

Amount to invested in an IRA: \$800

Tax rate: 22%