

SAVINGS AND BANKING

"Sienna's Cantina..." Sienna murmured to herself as she entered the café. "Morsels... Bistro Southwest... Ambrosia..."

Luna gave her a strange look. "What are you mumbling about?"

Sienna grinned. "Possible names for my restaurant. My future restaurant that I'm one big step closer to opening."

"Huh?"

"I reached \$6,000 in savings today. That was my goal when I finished cooking school two years ago."

"Woah! Six thousand dollars in two years? What exactly do you *do* at your other job?"

Sienna laughed. "It's legal, if that's what you're thinking." She started chopping carrots.

"So how'd you do it?" Luna asked.

"By putting away \$55 a week."

"Is that all?" Luna said sarcastically. "Give me a break. You must have had no life at all."

"Well, some weeks I didn't get to do stuff I wanted," Sienna admitted. "But not that many. I bet if you had something you really wanted to save for, you could find things to cut."

"Sure, skip a few coffees here, lunch out there. But how do you get from \$55 to six grand?"

"Do the math, girl," Sienna said, dicing onions. "Fifty-five dollars a week times 52 weeks a year, plus a little bit of interest compounded annually. Once I had a certain amount saved, I put some in a bond at a better interest rate, so it would grow even faster. Before I knew it, it had grown into \$6,000."

Luna sighed. "Imagine getting your hands on that much money."

Sienna poured stock into a soup pot. "The trick is to hold onto it – and keep it growing. That's why I looked for the account with the highest interest rate and the lowest monthly fees."

Luna nearly dropped her tray of coffee cups. "Monthly? I pay over a buck for each transaction!"

"You've got to shop around. They've all got different fees. Mine doesn't charge for transactions at other MetroBank terminals – "

"No charge!"

Sienna nodded, stirring. "And they've got the best identity security in The City. The iris scans at cash terminals mean that no one can use my ID number – even if they steal it."

"I'm switching to your bank!" Luna said. She thought for a moment. "I really want some new animation software. If I could save several bucks a month on service fees... and tighten in a few other places..." She looked at Sienna. "Two years?"

Sienna smiled. "What's the first film you're going to make with that new software?"

CALCULATING SAVINGS

Name: Class/Block: Date:

Savings add up when you follow a regular savings plan. Calculate the answers to the problems below. Show the steps needed to arrive at your answers. You may use an electronic spreadsheet for your calculations if you show the formulas used at each step.

1. If you put \$250 into an investment that paid 5% *simple* interest each year, how much interest would you earn in five years? What would your savings be worth at the end of five years?

	Year 1	Year 2	Year 3	Year 4	Year 5
Investment					
Interest					
Total					

2. If you put \$250 into an investment that paid 5% *compound* interest each year, how much interest would you earn in five years? What would your savings be worth at the end of five years?

	Year 1	Year 2	Year 3	Year 4	Year 5
Investment					
Interest					
Total					

3. If you put \$240 each year into an investment that paid 5% *compound* interest each year, how much interest would you earn in five years? What would your savings be worth at the end of five years?

	Year 1	Year 2	Year 3	Year 4	Year 5
Carry over	\$0				
Annual Contribution	\$240.00				
Subtotal					
Interest					
Total					

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