

## **Part II: Examples of Compound Interest (Section 2.4)**

1. You deposit your summer earnings of \$3000 in a C.D. (certificate of deposit) that pays 2% interest compounded quarterly. How much money will be in the account after 5 years?

2. Donald Trump puts \$100,000 in a C.D. for a grandchild when the child is born. If the C.D. earns 4% interest, compounded monthly, and Grandpa Donald writes a check for the child's 25<sup>th</sup> birthday, what will be in the amount of the check in the 25<sup>th</sup> birthday card?

3. When you were born, your grandparents deposited \$10,000 in a C.D. for your college education. If the account earns 5% interest, compounded annually, how much will be in the account for your college education?

4. You deposit \$5000 now for your future child's college education. At 2% interest compounded semi-annually, how much will be in their account when your child is ready for college? Is this smart?