

The holidays are just around the corner! This is a perfect time to help your child understand the power of saving. Help them set aside money from their earnings, like those summer lemonade stands, and let them use it towards gift-giving. Create a budget goal for a gift to their grandparents or have them donate the total to their favorite local charity!

VERY INTEREST-ING

When you put money into a savings account, you get paid extra money on top of the original amount. This is called "interest." The bank or credit union pays you this interest because you have chosen to put your money with them.

Since it's your money, you get to keep the interest and it gets added into your savings account total.

There is a simple formula to calculate interest:

$$\text{Principal} \times \text{Rate} = \text{Interest}$$

Principal – The original amount of money

Rate – Your interest is a percentage (%) rate

Interest – The extra money you earn in a year



LET'S PUT THE FORMULA INTO ACTION.

Grab a calculator and calculate the amount of interest earned.

- 1 Jenna has \$50 in a savings account which she has deposited from her piggy bank. The interest rate for her savings account is 1%. How much interest will she earn in a year?
- 2 Miguel has just graduated from elementary school and was gifted a total of \$100 from his family. He has chosen to deposit his money into a savings account with an interest rate of 2%. How much interest will he earn in a year?
- 3 Shannon has worked hard all summer and has earned \$40 from her lemonade stand. She wants to add it to her savings account that already has \$20 in it. Her savings account now has \$60. The interest rate for the savings account is 1%. How much interest will she earn in a year?

HOW THINGS HAVE CHANGED!

>> *Banking has changed a lot since your parents were kids!*

Until around 1997, people were given a bankbook or “passbook” which showed all of the handwritten activity on their savings or checking account. They handed this over to the teller at the bank or credit union any time they added or removed money from their account. The teller would write the new account balance in the bankbook, and they would give it back so the person could use it the next time they visited.

Now you can check you balance as many times as you want on the go!
No more handwritten books!



MONEY LINGO

Match the word with its definition:

Account

Savings Account

Principal

Balance

Interest

A

The extra money you earn on money put into an account at a bank or credit union.

B

The money you put into this account earns interest to help you save more.

C

The original amount of money you put into your account.

D

The total amount of money you have in an account at your bank or credit union.

E

Your bank or credit union puts your money into this.