

The Learning Center

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Compound Interest

$A = P(1 + i)^n$	A= Total amount including interest
	P= Principal
	i = interest rate per compounding period
	n = number of compounding periods

1. You invest \$5000 at 8% interest compounded quarterly. What is the value of the account in 5 years? What is the amount of interest earned in 5 years?
2. An investor deposits \$7500 into an account at 3% compounded monthly for 10 years. What is the future value of the account? How much is interest?
3. You wish to save \$50,000 towards the purchase of a sailboat. How much will you need to invest at 5% compounded semiannually to achieve your savings goal in 5 years?