

CALCULATE INTEREST

This modern society of ours is typified by loans and people spending money that they don't yet have, unlike the past when people saved for what they wanted. If you are going to take a loan, you should have some idea of the true cost, going through life financially illiterate is not smart and it's not Skill Trekker.

FLIP OVER FOR YOUR NEXT CHALLENGE



EARN THIS NUGGET

Select three fictional items to buy, research and find out the estimated annual interest. After making the calculations, see what the cost increases to when you borrow money.

LEVEL K

PERIOD 5

TASK 1

Let us look at a car purchase:

Cost \$35,000

Interest rate = 5% (0.05 as a decimal)

Loan over 5 years:

$\$35,000 \times 0.05 \times 5 \text{ years} = \$8,750$ of interest

So a \$35,000 car now costs \$43,750

Or how about a house purchase:

Cost \$250,000

Interest rate = 4% (0.04)

Loan over 30 years:

$\$250,000 \times 0.04 \times 30 \text{ years}$
= \$300,000

Total house price:

\$550,000...ouch!

It's not always practical to save for an item, I know. I live in the real world, but remember, all of the time you are saving, the bank is actually paying you the interest.

Credit Cards compound the problem. That five dollar hamburger you purchased on a credit card, when you only make the minimum payment, (typically just a hair more than the interest you are being charged), could cost you over a hundred dollars.

Bon appetit!

