

You might ask yourself, what happens to Sheldon's interest each year? This question leads to compound interest.....

Compound Interest "interest on interest"

Refer to the example with Sheldon above. Suppose at the end of each year the interest Sheldon has earned is added to the G.I.C., so that for the next year, Sheldon collects even more interest. In this scenario Sheldon is earning **compound interest**. (**compounded annually**). Complete the table below to find the final value of Sheldon's investment.

Year	Principle at Beginning of Year	Interest Earned	Principle at End of Year
1	\$3000		
2			
3			
4			

Is there a shorter way to solve this problem? (Hint: think about last unit).

Suppose that Sheldon's interest was compounded semi-annually. (Twice a year). What would the final value of the G.I.C. be?

Suppose that Sheldon's interest was compounded **every month**. What would the final value of the G.I.C. be?

Text page 352 #1, 3, 4, 6 and page 360 #7, 11