

Compounding Your Savings Answer Key

Name: _____ Date: _____

Directions: Watch the video [No-Frills Money Skills Episode 1](#) and respond to these questions.

1. What is the best plan for building your saving?

Pay yourself first.

2. What is the price people pay for using someone else's money?

Interest.

3. What is the money deposited into a bank account that will earn interest called?

Principal.

4. Why do banks pay interest?

Because they use the deposits to make loans to other customers; the interest is their cost of using someone else's money for the loans.

5. When was the young woman in the video better off — when she started saving early or when she waited to save?

When she started saving early.

Compounding Your Savings

6. Why?

By saving early she had a longer time to earn interest on her deposits.

7. How did she earn more interest?

By receiving a higher interest rate.

8. How did saving regularly benefit her?

Saving regularly allowed her to have more money in her account on which to earn interest.