Finite Math NAME:
Interest and Annuities

The table below will help you organize the information in the Interest and Annuities sections. The Description column should give insight as to when to use what formula.

Investment Type	Description	Formula	Definitions of Variables	Completed Example from Homework
Simple Interest	You deposit an initial amount of money into an account. You earn r % of this initial amount each period (usually one year).			
Amount simple interest investment is worth after t years	The amount you earn in interest plus the amount you initially invested.			
Compound Interest	Instead of just earning interest on the initial investment, the interest you earn is added to the principal periodically, the subsequent interest is then calculated using this amount.			

Effective rate of interest	The simple interest rate that would produce the same amount of money in one year of investment using the compound rate.			
Increasing annuity	You put money into the account periodically and the amount in the account accumulates. This is typical to do for retirement plans. The key here is that money is not only earned in interest but you are actually depositing money periodically.			
Decreasing annuity	You have an amount of money in an account. You withdraw a certain amount each period until there is no money in the account. The key here is that interest is earned as you are withdrawing money.			