**CALCULATING SAVINGS**

Savings add up when you follow a regular savings plan. Calculate the answers to the problems below. Show the steps needed to arrive at your answers. You may use an electronic spreadsheet for your calculations if you show the formulas used at each step.

**PRACTICE**

**1.** If you put a one-time contribution of $250 into an investment that paid 5% *simple* interest each year, how much interest would you earn in five years? What would your savings be worth at the end of five years?

|  | **Year 1** | **Year 2** | **Year 3** | **Year 4** | **Year 5** |
| --- | --- | --- | --- | --- | --- |
| Investment | $250 | $250 | $250 | $250 | $250 |
| Interest |  |  |  |  |  |
| Total |  |  |  |  |  |

**2.** If you put a one-time contribution of $250 into an investment that paid 5% *compound* interest each year, how much interest would you earn in five years? What would your savings be worth at the end of five years?

|  | **Year 1** | **Year 2** | **Year 3** | **Year 4** | **Year 5** |
| --- | --- | --- | --- | --- | --- |
| Investment | $250 |  |  |  |  |
| Interest |  |  |  |  |  |
| Total |  |  |  |  |  |

**3.** If you put $250 each year into an investment that paid 5% *compound* interest each year, how much interest would you earn in five years? What would your savings be worth at the end of five years?

|  | **Year 1** | **Year 2** | **Year 3** | **Year 4** | **Year 5** |
| --- | --- | --- | --- | --- | --- |
| Carry over | $0 |  |  |  |  |
| Annual Contribution | $250.00 |  |  |  |  |
| Subtotal |  |  |  |  |  |
| Interest |  |  |  |  |  |
| Total |  |  |  |  |  |

**Budget Spreadsheet Savings Plan**

**4.** Now let’s use your Net Monthly Salary to determine a savings plan based on your anticipated income. Start by recording your Net Monthly Salary from your Budget Spreadsheet from the first assignment. Multiply that number by 12 (months) to determine your Net Annual Salary. Record this number below. Calculate the total amount you would have if you saved 5% of your Net Annual Income for three years in an investment that paid 5% *compound interest* each year. Repeat the calculations for 10% and 15% of your Net Annual Income.

**NET MONTHLY INCOME AMOUNT: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ x12 =**

**NET ANNUAL INCOME AMOUNT: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

| **5% Income** | **Year 1** | **Year 2** | **Year 3** |
| --- | --- | --- | --- |
| Carry over | $0 |  |  |
| Annual Contribution (5% of Net Annual Income) |  |  |  |
| Subtotal |  |  |  |
| Interest |  |  |  |
| Total |  |  |  |

| **10% Income** | **Year 1** | **Year 2** | **Year 3** |
| --- | --- | --- | --- |
| Carry over | $0 |  |  |
| Annual Contribution (10% of Net Annual Income) |  |  |  |
| Subtotal |  |  |  |
| Interest |  |  |  |
| Total |  |  |  |

| **15% Income** | **Year 1** | **Year 2** | **Year 3** |
| --- | --- | --- | --- |
| Carry over | $0 |  |  |
| Annual Contribution (15% of Net Annual Income) |  |  |  |
| Subtotal |  |  |  |
| Interest |  |  |  |
| Total |  |  |  |

**Choosing a Savings Plan**

Afterwards, choose which percentage amount you are going to save. Start by taking the three values you included for your Net Annual Income contributions above and write them in the blanks.

My 5% Annual Income Contribution was: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

My 10% Annual Income Contribution was: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

My 15% Annual Income Contribution was: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Now take each contribution number and divide it by 12 (months) and record the amount below:**

My 5% Annual Monthly Contribution would be: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

My 10% Annual Monthly Contribution would be: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

My 15% Annual Monthly Contribution would be: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Finally choose which amount you are going to contribute and include it on your Budget Spreadsheet under the “savings” section.**