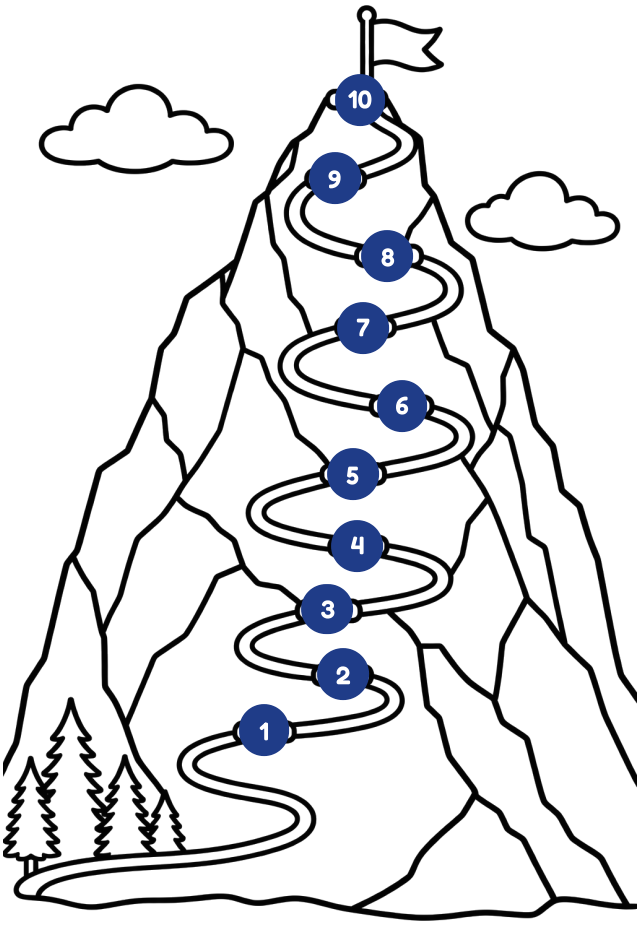
The Compound Climb

Name _____ Date _____

You put $1,000 in a savings account that earns 5% interest every year. You never add or take out money. Each year, multiply the balance by 1.05 and round to the cent. Write each year's balance and climb!



Start	$1,000.00
Year 1	*$1,050.00*
Year 2	$
Year 3	$
Year 4	$
Year 5	$
Year 6	$
Year 7	$
Year 8	$
Year 9	$
Year 10	$

1. Interest earned in year 1:

$ _____

2. Interest earned in year 10:

$ _____

3. Why is each year's step bigger than the last?

_____

MY MONEY CHOICE

$1,000 left at 5% until age 63 grows to about $11,467 if you start at 13, but about $7,040 if you start at 23. What's the difference? What does it tell you?

_____

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The Compound Climb

The quick lesson (read aloud, about 1 minute)

> **Interest** is money a bank pays you for keeping your money there. **Compound interest** means you earn interest on your interest too, so each year's growth is bigger than the last. The longer the money stays, the steeper the climb. A handy shortcut, the **Rule of 72**: 72 ÷ the interest rate ≈ years to double. At 5%, that's about 14 years.

Two teaching points

1. Time is the secret ingredient: starting early beats starting big.
2. Interest earned on interest makes growth speed up.

Answer key

Yr 1 $1,050.00 · Yr 2 $1,102.50 · Yr 3 $1,157.63 · Yr 4 $1,215.51 · Yr 5 $1,276.29 · Yr 6 $1,340.10 · Yr 7 $1,407.11 · Yr 8 $1,477.47 · Yr 9 $1,551.34 · Yr 10 $1,628.91.

1. Year 1 interest $50.00. 2. Year 10 interest $77.57. 3. Each year you earn 5% of a bigger balance, including last year's interest. Choice: $11,467.40 − $7,039.99 = **$4,427.41** more, just for starting 10 years earlier.

10-minute run

1. Do year 1 together (1,000 × 1.05).
2. Fill years 2–10 with calculators (5 min).
3. Compare year-1 and year-10 interest.

Ask

"Why does starting early matter more than starting big?"

Goal

Compound interest: you earn interest on your interest, so money grows faster the longer it sits.

Take it further

Use the Rule of 72: at 8%, how long to double? (about 9 years)

Standard: National Standards for Personal Financial Education (Council for Economic Education and Jump$tart), area: **Investing**. Print double-sided: the activity on the front, this teaching side on the back.

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