

## Activity 2

### REAL WORLD PRACTICE

Up to this point, we've worked with an example that shows that you've made only one deposit and no withdrawals from your savings account. While savings accounts are designed to be a place to put money for a fairly long period of time before it is withdrawn, these types of accounts typically have some deposits and withdrawals over the course of a year. It is important to know that many banks limit the number of withdrawals that can be made from a savings account without incurring bank charges.

Let's use a spreadsheet to create a more realistic example of savings account activity and find out how that changes the end result. You can make your own spreadsheet based on the model below, or download a spreadsheet at [ymiclassroom.com/byf/byf\\_book1\\_savings\\_spreadsheet.xlsx](http://ymiclassroom.com/byf/byf_book1_savings_spreadsheet.xlsx).



A	B	C	D	E	F	G
Month	Interest Rate	Withdrawals	Beginning Balance	Interest Payment	Deposits	Ending Balance
1	0.25%	\$0.00	\$1,000	\$2.50	\$0.00	\$1,002.50

To calculate everything correctly, you will need these formulas:

- Interest Payment = Interest Rate x Beginning Balance
- Ending Balance = Beginning Balance + Interest Payment + Deposits
- Beginning Balance = Ending Balance from the previous month – Withdrawals from the current month

Use your spreadsheet to calculate the following scenario:

- You start your account with a beginning balance of \$1,000.
- You deposit \$320 monthly (half of the money you earn from your part-time job).
- In month 4 you withdraw \$45 to purchase a video game.
- In month 7 you deposit \$50 you received for your birthday.
- In month 10 you withdraw \$200 to pay a registration fee for an upcoming activity.

Now, answer each question below.

- How much is in your savings account at the end of 12 months?  
\$ \_\_\_\_\_
- How much interest did you earn over the course of the year?  
\$ \_\_\_\_\_
- Why is using a savings account better than using your dresser drawer for saving money?  
\_\_\_\_\_

### Independent Practice

Try this scenario on your own. You would like to purchase a reliable used car. You've done some research and learned that it will cost you approximately \$5,000 to buy the car. You earn \$688 a month from your part-time job. You've already managed to save \$250 at home, but you've been tempted to spend it. You've found a bank that will pay you 3.24% interest annually on a savings account, with interest payments made monthly. How long will it take you to save up for the car if you put half of your earnings into the savings account each month? Using what you have learned about savings accounts, create a spreadsheet that will show how you found your answer.

