

## Consumer Applications: Simple Interest

$I$  represents the simple Interest you will receive.

$P$  represents the Principal which is how much you have in your account.

$R$  represents the Rate which is how much you will get at the end of a year for every \$100 you have in your account.

$T$  represents the amount of Time (in years) that you leave your money in the account.

$$I = PRT$$

### Example 1:

What is the interest earned on \$3000 invested at 6% for 3 years?

Principal = \$3000 (This is the amount in your account.)

$R = 6\%$  or .06 per year

$T = 3$  years

$$I = P \cdot R \cdot T$$

$$I = (3000)(.06)(3)$$

$$I = 540$$

The interest earned is \$540 over a 3-year period.

### Example 2:

What is the interest earned on \$200 invested at 9% for 8 months?

Principal = \$200 (This is the amount in your account.)

$R = 9\%$  or .09 per year.

$T = \frac{8}{12}$  of a year. (Remember time is always per year.)

$$I = P \cdot R \cdot T$$

$$I = (200)(.09)(\frac{8}{12})$$

$$I = 12$$

The interest earned is \$12 for a period of 8 MONTHS.