



GRADE 6+

## Simple vs. Compound Interest | Lesson Plan

How are simple and compound interest different from each other?

Students learn what different types of interest are, where it occurs in real life, and actions to take to prepare for it in their finances.

### Learning Objectives:

- Understand what interest is.
- Distinguish the different types of interest.
- Apply interest principles to borrowing, investing, and other real-world situations.
- Define key terms associated with interest, including compound interest, simple interest, APR, and principal.
- Discover actions to take to prepare for interest in their finances.

### Key Vocabulary:

- **Compound interest:** interest that is calculated when added back to the original amount
- **Simple interest:** interest calculated on the original amount borrowed
- **APR:** annual percentage rate, or the annual rate of interest percentage
- **Principal:** the original amount invested or borrowed

**Educational Standards:** Financial Literacy, Decision Making, Personal Responsibility, Personal Finance

### What You'll Need

- Video: *Ca\$h Cour\$e: Simple vs. Compound Interest*



Scan to watch video.

- Worksheet: *Ca\$h Cour\$e: Simple vs. Compound Interest* ([Download PDF](#))
- Classroom whiteboard and dry-erase markers (You may use a technology solution if available).

## Lesson Plan (45 mins.)

### Warm-Up: (10 mins.)

1. Ask: *Have you ever borrowed money from a friend? Did your friend expect you to pay extra money back because they gave you the convenience of using their money?* Allow students to share answers.
2. Say: *When we put our money into a bank, the bank will pay YOU for the convenience of using YOUR money. In the same way, you may have to pay a bank interest when you borrow THEIR money. This is called interest.*
3. Ask: *What do you know about interest?* Allow students to share responses and list information on the dry-erase board.

### Watch and Apply: (25 mins.)

1. State: *We will watch this video and see what we can learn about debit and credit cards, then answer some questions to see what we've learned.*
2. Watch the video, *Ca\$h Cour\$e: Simple vs. Compound Interest*.
3. Distribute the *Ca\$h Cour\$e: Simple vs. Compound Interest* worksheet. Allow students 10 minutes to complete the worksheet independently.
4. After the assessment (you may choose to collect or not), work through the questions as a class and discuss any areas where students needed help, still needed to complete it, or had questions.

### Wrap-Up: (10 mins.)

1. Ask: *What are some things you learned that you did not know? What do you think about the principle of interest?* Allow students to share responses.
2. Complete the list on the dry-erase board that was made before the video.

## Don't have time for the full lesson? Quick Activity (10-15 mins.)

- Distribute the worksheet and allow students to complete it while they follow along with the video.
- Or, have students watch the video at home and use the worksheet as a quick quiz the next day in class.