

## Simple Interest Formula

$$I = prt$$

To review:

I = Interest Earned

p = principal (amount of money you put in)

r = rate of interest you are earning

t = time you are investing in

This is great when you want to know how much you will earn but what....

You need to earn \$2,500.00 (I) in two years (t) at 3% (r). How do you find out how much Principal (p) you need?

$$\frac{I}{rt} = p$$

Ah, you find a CD that pays 5% (r). You have \$1,700 (p) and you want to know when it will grow to \$2500.00.

$$\frac{I}{rp} = t$$

That doesn't work out so you take the \$1,700.00 (p), so you get the \$2,500.00 but you need it in 5 years (t). You need to find (I) first.

$$\frac{I}{pt} = r$$

*Financial education needs to become a part of our national curriculum and scoring systems so that it's not just the rich kids that learn about money.. it's all of us.*

David Bach author of "The Armchaire Millionaire"