

Name: _____ Period: 3 Class: *Financial Algebra*
 Assignment: *Ch 3.4 Quiz Economic Time Machine* Date: *00/00/12 thru 00/00/12*

You have stepped into a time machine. Back you go to the 1976. A time of weak music, bad clothes, simple interest and my high school graduation. Groovey. Your plan is to go back and make as much money as possible, put it in the bank and wait for it to grow. You only have 2 weeks before you have to come back. You are underage so career choices are limited.

You have gotten your first pay check. You have worked 71 hours at your minimum wage job (\$1.57 an hour) at McDonalds. Your pay check total is: **111.47**.

Now what to do with it? Save it of course. This is the 70s banks are paying 5 times the interest on savings accounts that they are today.

First compare banks Rank them highest to lowest:

Institution	Rate	Rank (expressed in like terms)
Republic Savings & Loan	5.2%	
M & I Bank	5 3/8 %	
Homeward Savings	5.225	
Seafirst Bank	5 1/4 %	
Banner Bank	5.025	

Using only the simple calculators, slide rule, mental math or your fingers & toes (this is the 70s) answer the following questions using the simple interest formula:



Using your very best rate and the Simple Interest Formula answer the following questions:

How much will you have after one year

$$111.47 + 5.57 = 117.04$$

If you keep this money in the account for four (4) years how much will you have?

$$111.47 + 22.29 = 133.76$$

If you keep it till today and the bank keeps the interest the same?

$$111.47 + 200.65 = 312.12$$

If you only keep it in the bank for 10 months how much would you have?

$$111.47 + 4.64 = 116.11$$

If you come to my graduation to check out my high school cool you'll have to bring me a present. So you spend \$15.00. (Thank you by-the-way) Unfortunately, you violated the minimum balance requirement (\$100.00) for your bank and they charge you \$5.00. What is your balance?

$$111.47 - 15 = 96.47 - 5.00 = 91.47$$

You've gone back to the present so you can't add to the account and the bank will charge you each year that same \$5.00 fee. What is your balance the next year.

$$91.47 + 4.57 = 96.04$$

Of course they are going to deduct the \$5.00 again. So you have: **91.04**

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"

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Fill out table.

Year	Balance	Plus Interest	Less Fee	New balance
1976	96.47	0	5.00	91.47
1977	91.47	4.57	5.00	91.04
1978	91.04	4.55	5.00	90.59
1979	90.59			
1980				
1981				

If your goal was to have a \$1000.00 dollars at the end of 36 years, how much did you need to make? Use the skills learned in the “Manipulating the formula lesson”.

What can you conclude about your (this) plan?

What was going on back in the late 70s (besides Bob Seger & Disco) that would have caused such high interest rates?

What could you do differently (given the constraints) that would have made you more money?

BONUS! And I did appreciate the gift. Thank you again. I used the \$15.00 to buy a \$30.00 U.S. Savings Bond that doubles every 20 years. How much do I have today 36 years later? You may have figure this out in two parts.

Year	Value
1976	15.00
1996	
2012	

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