Saving into a high interest account regularly, regardless of how small the amount saved, will result in you getting extra money for free, in addition to the money you saved. This is due to the effect of compound interest. Interest can be payable annually, monthly or even daily.

For this activity, assume that you’re working full time and can afford to put aside $50 every week ($2,600 a year) for saving. Each week you automatically transfer $50 into a high-interest savings account paying 2.5% interest, compounding **monthly.**

**Use MoneySmart's** [**compound interest calculator**](https://www.moneysmart.gov.au/tools-and-resources/calculators-and-apps/compound-interest-calculator) **to complete the table:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Question** | **Answer** | | |
| If you transferred $50 per week into a high-interest savings account for 12 years, starting at age 18, how much would you have in your savings account by the time you turned 30? |  | | |
| How much of the final balance in your savings account would be from your weekly deposits? |  | | |
| How much of the final balance in your savings account would be from interest? |  | | |
| How do these figures change if you increased your weekly savings to $60 per week? | **TOTAL AMOUNT DEPOSITED** | **$** |  |
| **TOTAL INTEREST EARNED** | **$** |  |
| What would you do with the money you saved and why? (remember that you’ll be 30) |  | | |