Math 3 Name\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1-2 Practice

1. Some local Mayfield banks are advertising saving account options in hopes of attracting customers to their banks. The offers are as follows:

Bank of Scarfo: 0.6% Annual Percentage Rate compounded annually

Bank of Grano: 0.5999% Annual Percentage Rate compounded daily

Bank of Shirey: 0.599% Annual Percentage Rate compounded continuously

(Note: do not round off the APR’s.Use the full percentage given)

1. You have $2000 that you would like to put into a savings account and let grow for an entire year. Since all of these banks are obviously run by trustworthy and friendly people, you are not sure which bank to go with.

Determine how much money you would have at the end of one year for each of the banks above.Note: do not round your answers

Bank of Scarfo Work:

Bank of Grano Work:

Bank of Shirey Work:

Which bank should you choose based on the math above?

1. Seeing how looking strictly at the Annual Percentage Rate could be misleading to the consumer, the leaders of the three banks decide that they should come up with a more straight-forward and honest way to advertise all savings account options for the people of Mayfield. Instead of advertising the APR (annual percentage rate) along with when the interest gets compounded, they agree to advertise the Annual Percentage Yield (APY). This should be less confusing for future customers.

Determine the APY for the three banks below. You may need to look back at your 1-2 investigation to remember how to do this.Do not round at all.

Bank of Scarfo Work:

Bank of Grano Work:

Bank of Shirey Work:

1. Which bank has the best APY (annual percentage yield) for the consumer?
2. True or False: APY allows you to fairly compare financial options without having to worry about how frequently interest is being compounded.
3. True or False: All you should look at is the APR when making a financial decision.
4. True or False: Banks could make themselves look like the best savings option for the uninformed consumer by advertising the highest APRand changing how frequently the interest gets compounded.