


Simple Interest

Simple interest is calculated by multiplying the **amount of money invested** by the **interest rate** (as a decimal) and the **length of time** that the money is earning interest.

 **Example** £200 is invested in an account paying 3% simple interest for 4 years.
Calculate the amount of money in the account at the end of 4 years.

The **principal amount invested** is £200

The **interest rate** is 3%, which is 0.03 as a decimal.

The **length of time** is 4 years.

£24 is earned in interest.

The total amount in the account is $£200 + £24 = £224$

Work out 3% of 200,
then multiply by 4

$$200 \times 0.03 \times 4 = 24$$

This is the **total interest earned** over 4 years.