HOW TO MAKE YOUR MONEY GROW

When we have more money than we need to spend, this is called savings. We can keep savings at home in a piggy bank or money box, or put them into a bank.

Banks want our money because they make money by lending ours to other people. So, if you have savings in a bank, they will pay you. This is called interest.



If you need more money than you have, you could borrow some from a bank. You agree on how much and for how long.

This time you will have to pay the bank to use the money! This is also called interest.

Interest is the reward for saving or the cost of borrowing, so let's see how this works . . .

'Pygg' is an Old English word for a type of clay used to make pots and plates, including those used to keep money in. Over time the word became 'piggy bank' and they became the shape of a pig.



The bank sets something called an interest rate. This is how much they will pay you for every pound you save or how much they will charge you for every pound you borrow.





Let's say I am a saver. The bank agrees to pay 10% interest. I put £100 into my account. After a year they pay me 10% interest (£10). Now I have £110 . . . easy, right?

I decide to leave my £110 in the bank for another year. They then pay me 10% interest on £110 (£11), so at the end of year two I now have £121. This is called compound interest.



CHALLENGE:

You will need:
Two jars
25 tokens (e.g. buttons, jelly beans or even scraps of paper)

1. *Place two tokens in one jar every day for five days.*
2. *In the other jar, place two tokens every day for five days, PLUS one token for interest you are being paid by the bank every day.*
3. *On day five, count up the tokens in each jar. How many do you have?*

