



# QUIZ

## Compound Interest

NAME: \_\_\_\_\_

TOTAL  
/8 pts

### MULTIPLE CHOICE

Directions: **CIRCLE** the best possible answer for each question.

- Compound interest is:
  - The amount of money upon which interest is paid
  - Earned on the principal amount only
  - Earned on the principal amount plus the interest already earned
  - The Rule of 72
- Which of the following actions will **limit** your long-term savings?
  - Getting a head start
  - Making regular contributions to your investment
  - Spending only 10% of the interest earned each year
  - All of the above
- Which of the following factors is the **least under your control** when it comes to compound interest?
  - The interest rate
  - The principal
  - The annual contribution amount
  - The duration of the investment
- The Rule of 72 is used to estimate:
  - How much your investment will be worth when you retire
  - How long it will take for your investment to double in value
  - How long it will take for your investment to earn \$72 of interest
  - How much money you should put into an investment

/4 pts

### TRUE OR FALSE

Directions: **CIRCLE** either true or false.

- TRUE or FALSE      All other factors being equal, an investment that compounds monthly will earn more interest than an investment that compounds annually.
- TRUE or FALSE      All other factors being equal, an investment with simple interest will perform better than an investment with compound interest.
- TRUE or FALSE      Compound interest can work against you.
- TRUE or FALSE      The Rule of 72 only works for investments with compound interest.

/4 pts