

Conditions

Brian, who recently sold his Porche, placed \$25,000.00 in a savings account paying annual compound interest of 13%. Calculate the amount of money that will have accrued if he leaves the money in the bank for 10 years.

Solution

Here we must calculate the future value (FV) of our deposit:

$$FV = V \cdot (1 + r)^t$$

Where V is a deposit amount of money (\$25000), r – rate in decimal, 0.13, t – number of periods (years, in our case)

So,

$$FV = \$25000 \cdot (1 + 0.13)^{10} = \$84,864.2$$

Answer: \$84,864.2