

Interest

What is Interest (or "simple interest")

It is the amount of money that is paid when borrowing another person's money.

What is the formula for simple interest?

$$I = P \times R \times T$$

wherein I = Interest, P = Principal, R = Rate, T = Time.

What is an interest rate?

Interest rate is the amount that charged by lenders to borrowers. It is calculated at a fixed or variable rate for a specific time period.

What is compound interest?

You may think of compound interest as the interest one earns on interest. It is the result one earns by reinvesting one's interest.

What is the formula for compound interest?

$$P (1 + r/n)^{(nt)}$$

where P stands for the initial principal balance, r is the interest rate, n is the number of times interest is compounded per time period and t is the number of time periods

"Money makes money. And the money that money makes, makes money."

-Benjamin Franklin

Source

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<https://kids.britannica.com/students/article/interest/632114>.