

Calculator.net

FINANCIAL

FITNESS & HEALTH

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Interest Calculator

Initial investment\$5,195.94

Annual contribution\$0

Monthly contribution\$0

Contribute at the ☒ beginning ☐ end of each compounding period

Interest rate11 %

Compounddaily

Investment length15 years0 months

Tax rate ☐ 0 %

Inflation rate0 %

Calculate

Clear

Results

Ending balance\$27,048.43

Total principal\$5,195.94

Total interest\$21,852.49

* interest rate of 11% compound daily is equivalent to annual rate of 11.626%

19%

81%

Initial investment

Interest

Accumulation Schedule

Annual Schedule

Monthly Schedule

Year	Deposit	Interest	Ending balance
1	\$5,195.94	\$604.08	\$5,800.02
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15	\$0.00	\$2,817.12	\$27,048.43

\$25K

\$20K

\$15K

\$10K

\$5K

\$0

Year

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10

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Initial investment

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Average Return Calculator

ROI Calculator

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Simple Interest

The following is a basic example of how interest works. Derek would like to borrow \$100 (usually called the principal) from the bank for one year. The bank wants 10% interest on it. To calculate interest:

$$\text{\$100} \times 10\% = \text{\$10}$$

This interest is added to the principal, and the sum becomes Derek's required repayment to the bank one year later.

$$\text{\$100} + \text{\$10} = \text{\$110}$$

Derek owes the bank \$110 a year later, \$100 for the principal and \$10 as interest.

Let's assume that Derek wanted to borrow \$100 for two years instead of one, and the bank calculates interest annually. He would simply be charged the interest rate twice, once at the end of each year.

$$\text{\$100} + \text{\$10}(\text{year } 1) + \text{\$10}(\text{year } 2) = \text{\$120}$$

Derek owes the bank \$120 two years later, \$100 for the principal and \$20 as interest.

The formula to calculate simple interest is:

$$\text{interest} = \text{principal} \times \text{interest rate} \times \text{term}$$

When more complicated frequencies of applying interest are involved, such as monthly or daily, use the formula:

$$\text{interest} = \text{principal} \times \text{interest rate} \times \frac{\text{term}}{\text{frequency}}$$

However, simple interest is very seldom used in the real world. Even when people use the everyday word "interest," they are usually referring to interest that compounds.

Compound Interest

Compounding interest requires more than one period, so let's go back to the example of Derek borrowing \$100 from the bank for two years at a 10% interest rate. For the first year, we calculate interest as usual:

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Total interest after tax\$15,943.24

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6	\$0.00	\$956.98	\$143.55	\$9,108.22
7	\$0.00	\$1,050.83	\$157.62	\$10,001.43
8	\$0.00	\$1,153.88	\$173.08	\$10,982.22
9	\$0.00	\$1,267.03	\$190.05	\$12,059.20
10	\$0.00	\$1,391.29	\$208.69	\$13,241.79
11	\$0.00	\$1,527.72	\$229.16	\$14,540.36
12	\$0.00	\$1,677.54	\$251.63	\$15,966.27
13	\$0.00	\$1,842.05	\$276.31	\$17,532.01
14	\$0.00	\$2,022.69	\$303.40	\$19,251.29
15	\$0.00	\$2,221.05	\$333.16	\$21,139.18

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