



Financial Literacy Education Lesson Plan



Lesson 4: The Power of Interest

55 minutes¹

Domain

- Banking, Investing, Repayment and Saving

Oregon High School Personal Financial Education Content Standards²

- **HS.PFE.B.2:** Develop goals for building assets using various investment options, and identify potential risks and rewards for a given strategy.
- **HS.PFE.B.3:** Evaluate repayment strategies, risks and costs for various types of consumer credit use, including simple or compound interest calculations.

Essential Questions

- How can interest help or hurt my financial future?
- Why does the way interest is calculated matter when saving or borrowing money?

Learning Targets

I can:

- Explain what interest is.
- Compare how simple and compound interests affect savings and loans over time.
- Use interest information to make informed saving and borrowing decisions.

Supplies

1. Projector and internet access
2. Presentation slides (Note: Speaker notes are provided in the lesson plan and in the accompanying PowerPoint slides.)
3. Student handouts

¹ This lesson is designed for approximately 55 minutes, but timing may vary based on student discussion, reflection, and engagement. Feel free to adjust the pacing or extend activities as needed.

² The Oregon High School Personal Financial Education Content Standards are located at:
https://www.oregon.gov/ode/students-and-family/OregonDiploma/Documents/FINAL%20PFE%20Standards_AdoptedAccessible.pdf

4. A large writing surface such as chart paper and markers, whiteboard, or chalkboard

Preparation

1. Make copies of student handouts.
2. Set up projector with presentation slides.
3. Find a free online simple and compound interest calculator, such as the one offered by [Good Calculators](#), that students can use without providing personal information.

Overview

Students will learn why interest matters for managing money. They will compare simple and compound interest, focusing on how they affect both saving and borrowing money. Through real-life examples, they will practice calculations to see how interest influences financial choices and results.

Instructions

Activity 1: Warm-Up

10 minutes

1. Display the **Title slide (Slide 1)** and distribute the handout packets to students, if you have not already.
2. Display the **Warm-up slide (Slide 2)** and point students to the copy of the prompts on the slide (*What do you know about interest? Where have you heard the term before?*) that is provided on the first page of their handouts.
3. Invite students to take a moment to write down their responses to the prompts in the space provided in their handouts. Tell them there are no right or wrong answers—they should simply write whatever comes to mind.
4. Invite a handful of volunteers to share their ideas with the whole class and write down what they share on the writing surface.
5. Display the **Which would you choose? slide (Slide 3)**. Read the prompt on the slide out loud for the class or invite a student to do so (*Would you rather have a penny that doubles every day for 30 days or one million dollars right now?*).
6. Ask students to vote on which choice they would make with a show of hands.
7. Invite a handful of students to briefly explain their thinking to the class.
8. Display the **Penny versus \$1M slide (Slide 4)** and explain how the penny doubling daily for 30 days ends up worth five times more than one million dollars. The penny grows so much because each day's increase is added to the total before the next day's growth occurs. This is the idea behind interest, which students will explore in this lesson.

9. Display the **Learning targets slide (Slide 5)** and point students to the copy of the learning targets provided on the first page of their handouts. Review the learning targets with them.
10. Point students to the copy of the lesson glossary provided on the first page of their handouts and review the terms with them.
11. Point students to the **Note Catcher handout** and invite them to use it to take notes during the lesson.

Activity 2: Presentation

15 minutes

1. Display the **Presentation slide (Slide 6)**.
2. Display the **Key terms slide (Slide 7)** and briefly review each term and explain how they work together: the *principal* is the amount of money being saved or borrowed, the *interest rate* determines how much interest is earned or paid over time, and *interest* is the extra money earned on savings or paid on borrowed money.
3. Display the **Power of time slide (Slide 8)** and explain that time is one of the most important factors affecting how interest works. When saving, more time gives money more opportunity to grow. When borrowing, more time usually increases the total amount of interest paid. Emphasize that interest can work either for or against a person depending on whether they are saving or borrowing.
4. Display the **Simple interest slide (Slide 9)** and review the definition and formula for *simple interest*. Explain that simple interest is calculated only on the original principal, resulting in a predictable amount of interest over time. Simple interest is commonly used for certain loans and other forms of short-term borrowing.
5. Display the **Simple interest example slide (Slide 10)** and review the example with students. Have students work with a partner to calculate the interest earned and new principal.
6. Display the **Simple interest example (Answer) slide (Slide 11)** and review the solution as a class. Answer any questions students may have about the calculation.
7. Display the **Compound interest slide (Slide 12)** and review the definition and formula for *compound interest*. Explain that compound interest is calculated on both the original principal and previously earned interest. Add that how often interest is added to an account or loan—the *compounding period*—matters. The more frequently interest is compounded, such as monthly instead of yearly, the faster savings can grow and the faster debt can increase because interest is being earned or charged on previous interest more often.
8. Display the **Compound interest example slide (Slide 13)** and review the example with students. Explain that because compound interest calculations become more complex over time, many people use online calculators to determine compound-interest growth.
9. Open the link to an online interest calculator (see “Preparation” section above).

10. Walk students through how to use the online calculator to determine the compound-interest results for the example provided on the slide.
11. Display the **Compound interest example (Answer) slide (Slide 14)** and compare the calculator's results with the solution shown on the slide. Note that minor differences may occur because various calculators handle rounding differently.
12. Invite students to identify financial products and services they are familiar with that involve earning or paying interest. Record their responses on the writing surface. If students need support generating ideas, offer the following examples:
 - Savings accounts
 - Certificates of deposit (CDs)
 - Money market accounts
 - Auto loans
 - Student loans
 - Credit cards
 - Personal loans
 - Mortgages or home loans
 - Retirement and investment accounts that earn returns over time
13. Review the completed list and ask students to identify which products help people earn interest and which require people to pay interest. Circle products that earn interest and underline products that require interest payments.
14. Let students know that they will now work in groups to apply what they learned about interest and explore how it affects real-world saving and borrowing decisions.
15. (Optional) Provide students with a short break. The **Break slide (Slide 15)** is provided if you choose to give students a break at this point or later in the lesson.

Activity 3: Application Activity

15 minutes

1. Display the **Application Activity slide (Slide 16)**.
2. Divide the class into small groups.
3. Make sure students have access to the interest calculator you demonstrated in the previous activity.
4. Display the **Activity instructions slide (Slide 17)** and point students to the **Interest Scenarios handout**. Review the activity instructions as a class. Students will work with their groups to complete each scenario using the online interest calculator. As they work, they should record the interest earned or paid and the final balance for each situation. Encourage students to look for patterns and consider how the type of interest, the compounding period, and the amount of time affect the results. After completing the calculations, students should discuss and answer

the discussion questions with their groups and be prepared to share their observations during the class debrief.

5. Invite groups to begin working on the activity.
6. Circulate among the groups as they work to answer questions and make sure they are staying on task.
7. After 12 minutes, or when it looks like groups have completed their work, get their attention and move on to the activity debrief.

Activity 4: Activity Debrief

10 minutes

1. Display the **Debrief slide (Slide 18)**.
2. Using the **Interest scenario answer key slides (Slides 19-22)**, have student groups compare their results with the suggested answers on the slides. If students have questions about or disagree with any of the suggested answers, encourage them to explain their reasoning and support their conclusions using evidence from their calculations and observations. Acknowledge that some responses to the discussion questions may vary. For example, students may identify different advantages of saving early or offer different strategies for reducing borrowing costs.
3. As groups share, guide students toward the following key understandings:
 - Compound interest grows savings and debt faster than simple interest.
 - The more time money has to grow, the more interest it can earn.
 - The longer debt remains unpaid, the more interest you may owe.
 - Interest can help you grow money when saving and cost you money when borrowing.
4. Display the **Interest snowball slide (Slide 23)** and read the quote on the slide. It is often attributed to Albert Einstein, although its true origin is unknown. Regardless of who said it, the message is clear: compound interest can have a powerful effect over time. Like a snowball rolling downhill, compound interest starts small but grows larger as it builds on previous growth. This can help savings grow faster, but it can also increase the cost of borrowing.

Activity 5: Wrap-Up

5 minutes

1. Display the **Wrap-Up slide (Slide 24)**.
2. Display the **Exit ticket slide (Slide 25)** and point students to the copy of the prompts on the slide that is provided on the last page of their handout packets. Invite students to write their responses to the prompts in their handouts in the spaces provided.
3. Display the **Thank you! slide (Slide 26)**.
4. Answer any final questions and thank students for their participation.

Extension

Invite students to explore the online savings and borrowing calculators offered by OnPoint and use one to perform a savings or loan calculation that involves interest, such as calculating a vehicle loan payment or using the “Save to be a Millionaire!” calculator.

Glossary

Compound interest: Interest earned on both the original principal and on any interest that has already been added, causing the total to grow faster over time.

Compounding period: How often interest is added to a savings account, investment, or loan, such as monthly, quarterly, or yearly.

Interest: Extra money you either earn or pay when dealing with financial institutions.

Interest rate: The extra money earned or paid for the use of money over time expressed as a percentage.

Principal: A sum of money you borrow or set aside to save.

Simple interest: The amount of interest calculated only on the original principal, not on any interest earned or added over time.