Compound Interest Word Search

Answer Key

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10 Terms & Definitions

PRINCIPAL
The principal is the original sum of money invested or borrowed, before any interest is added. In compound interest, the principal grows over time as earned interest is added back to it, creating a new, larger base for future interest calculations. This self-reinforcing growth is

INTEREST
Interest is the cost of borrowing money or the reward for lending it. In investing, it is the return earned on deposited or invested funds. Simple interest is calculated only on the original principal, while compound interest is calculated on the principal plus all previously ear

RATE
The interest rate is the percentage at which interest is charged or earned on a principal amount, usually expressed annually (APR or APY). In compound interest, the rate determines how fast your money grows. Even small differences in rate — say 6% vs 8% — produce dramatically dif

GROWTH
In the context of compound interest, growth refers to the exponential increase in the value of an investment over time. Unlike linear growth (adding a fixed amount each period), compounding produces growth that accelerates — the larger the balance, the more interest earned, which

ANNUAL
Annual refers to something occurring once per year. In compound interest, the compounding frequency matters enormously. Annual compounding adds interest once a year. Monthly compounding adds it 12 times, quarterly 4 times, daily 365 times. More frequent compounding means slightly

RETURN
Return is the gain or loss on an investment over a specified period, expressed as a percentage of the initial cost. In compound interest calculations, the return each period is added to the principal, which then earns returns itself in future periods. Total return includes both p

SAVINGS
Savings are funds set aside from current income rather than consumed. In the context of compound interest, savings are the fuel that starts the compounding engine. The earlier you save, the longer compounding has to work. Even small regular savings contributions, when started ear

FUTURE
Future value is the value of a current asset or investment at a specified date in the future, based on an assumed rate of growth. The compound interest formula calculates future value: FV = PV × (1 + r)^n, where PV is present value, r is the periodic interest rate, and n is the n

DOUBLING
Doubling time is how long it takes for an investment to double in value at a given compound interest rate. The Rule of 72 provides a quick estimate: divide 72 by the annual interest rate to get the approximate years to double. At 6%, money doubles in 12 years. At 12%, it doubles

REINVEST
Reinvesting means using the returns generated by an investment — dividends, interest, or capital gains — to purchase more of the same investment rather than withdrawing the cash. Reinvestment is the mechanism that makes compound interest work in practice. Without reinvestment, yo