



Key Deposit Account Equations

(Print these pages for reference as you complete the test for this course, and for handy on-the-job review.)

Rate of Return

$$\frac{\text{annual earnings}}{\text{amount invested}} = \text{rate of return}$$

Average Daily Balance

$$\frac{\text{sum of daily balances}}{\text{number of days in period}} = \text{average daily balance}$$

Annual Dividends

$$\text{balance} \times \text{annual rate} = \text{annual dividends}$$

Daily Dividend Rate

$$\frac{\text{annual dividend rate}}{365} = \text{daily dividend rate}$$

Average Daily Balance

$$\frac{\text{sum of daily balances}}{\text{days in dividend period}} = \text{average daily balance}$$

Weekly Dividend Rate

$$\text{daily dividend rate} \times 7 \text{ days in dividend period} = \text{weekly dividend rate}$$

Weekly Dividends

average daily balance x weekly dividend rate = weekly dividends

Balance for Next Dividend Period

end balance + dividends earned = balance for next dividend period

Basic APY Formula

$100 \times (\text{annual dividends} \div \text{principal}) = \text{annual percentage yield}$

The Rule of 72s

$\frac{72}{\text{annual interest rate}}$ = number of years to approximately double the initial investment

Calculating How Much to Deposit Today to Achieve a Future Value

$\frac{\text{future value of today's investment}}{\text{FV of \$1 factor for rate \& time period}} = \text{amount to invest today}$

Calculating How Much to Deposit Annually to Achieve a Future Value

$\frac{\text{future value of today's investment}}{\text{FVA of \$1 factor for rate \& time period}} = \text{amount to invest each year}$

Calculating Future Value of Today's Initial Deposit

amount invested today x FV of \$1 factor for rate and time period = amount accumulated

Calculating Savings Growth with an Annual Deposit Amount

amount invested per year x FVA of \$1 per period factor for rate and time period = amount accumulated