

NAME: \_\_\_\_\_

### **Savings Account Budget**

Remember, you still would like to buy the same four goods at the same four prices as with the non-savings account budget.

<b>Good</b>	<b>Price</b>
Arcade Game	\$.25
Gum	\$.50
Soda Pop	\$1.00
Movie Ticket	\$5.00

1. Assuming soda and gum are your next-best alternatives, what is the opportunity cost of putting \$2.50 in the bank?

2. If the bank pays 10 percent interest, how much interest will you earn on your \$2.50 deposit?

3. With interest your \$2.50 is now worth \$2.75. In terms of soda, gum, and video games, what can you buy for \$2.75?

4. So, if you spend the \$2.50 instead of putting into the interest-bearing account, what do you have to give up? What's the new opportunity cost of the \$2.50?

5. Figure out what would you like to do with your five dollars and fill out the chart below.

<b>Good</b>	<b>How much budgeted</b>
Arcade Game	
Gum	
Soda Pop	
Movie Ticket	

SAVINGS:	
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6. Compare Budget #1 (non-savings account budget) and Budget #2 (savings account budget). How have the budgets changed? Why did you change your mind?