



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

## Exit Card: TFSAs and Compound Interest

*Write your answer in complete sentences and give details to support your ideas.*

Question 1 : What durations did you choose when locking up your money into the GICs?

Question 2: Why did you choose those durations?

Question 3: What did you notice when you calculated the 5-year returns in the taxable and TFSA accounts?

Question 4: How does using a TFSA as your savings account help speed up the compounding process?





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## TFSA's and Compound Interest Teacher Copy

*Write your answer in complete sentences and give details to support your ideas.*

**Question 1 : What durations did you choose when locking up your money into the GICs? Why did you choose those durations?**

I chose to lock up \$3000, half of the money, to get the highest rate over the 5 years to increase compounding. I put \$1000 in for one year only so that I could have that money back in a year in case the rates go higher. I put the rest into three year GICs so I could earn interest and have the money later.

**Question 2: Why did you choose those durations?**

I chose different durations so I would have access to my cash. I only wanted to put \$1000 into a GIC for 3 years at a 4% interest rate because I thought interest rates might go higher and I could get a better rate later on.

**Question 2: What did you notice when you calculated the 5-year returns in the taxable and TFSA accounts?**

I noticed that the returns compounded much faster in the TFSA accounts. Also, I noticed that generally long-dated GICs had higher rates that allowed me to compound faster.

**Question 4: How does using a TFSA as your savings account help speed up the compounding process?**

Since there are no new taxes on earnings in a TFSA, there is more money to compound each year. That means that the earnings are compounded at a higher rate.

