

## Compound interest

- interest compounded **once** per year

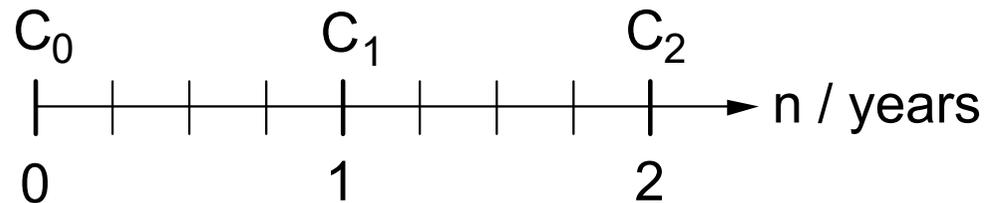


$$C_n = C_0 q^n = C_0 (1 + r)^n$$

## Compound interest

- interest compounded **m times** per year

examples:  $m = 4$  (interest compounded quarterly)



$$C_n = C_0 \left(1 + \frac{r}{4}\right)^{4n}$$

$m = 12$  (interest compounded monthly)

generally: 
$$C_n = C_0 \left(1 + \frac{r}{m}\right)^{mn}$$