

Comparing Interest Rates (Effective Interest)



Your boss just gave you a \$4000 bonus for completing your project ahead of schedule and you are going to invest the money in a certificate of deposit until you decide what to do with it. Three local banks are offering three different CD rates:

- 1% per month compounded monthly
- 3.1% per quarter compounded quarterly
- 12.8% per year compounded yearly

Which is your best option?