

This is the authors' translation of a sample page from M. Skorepa, E. Skorepova: "Financni a ekonomicka gramotnost", Student's Book 2. The set of Teacher's Book, Student Book 1 and Student Book 2 was published originally in Czech (Prague, Scientia, 2008). Do not quote or disseminate without prior consent from the authors.



Name of the bank: _____

Name of the account	annual interest rate (%)	inflation (%)	real annual interest rate (%)

6.10 To buy now or a year later



In a bicycle shop, Mr. Slug has seen a mountain bike of his dreams with the price tag of EUR 300. He wants, however, to equip his bike with further items (pump, bell, etc.) for which he has no money left as he has exactly EUR 300 right now. That is why he decided to put his money into a one-year term deposit at a selected bank and he hopes that after one year he will have more money - enough to be able to buy not only the bike but also the other items he longs for.

Select a bank for Mr. Slug and, within that bank's list of products, select an appropriate term deposit:

Name of the bank: _____

Name of the account: _____

Annual interest rate: _____

How much money will the bank pay to Mr. Slug one year from now? _____

Assume that inflation will be the same as today (look it up at the web page of the national statistical office) and that this rate of inflation will apply also to bicycles. How much will the bike cost one year from now?

How much money will Mr. Slug have one year from now to pay for the accessories? _____

Is there someone in your class who chose a deposit with such a low financial return that she or he will not be able to buy even the bike alone, without the accessories? If there is such a classmate, then her or his decision to save in the form of the term deposit she or he has chosen was mistaken in economic terms; this classmate should either buy the bike now (without the accessories), or should find a better way to save (an asset that brings a higher yield).



Inflation - a sad word to say.
It takes a part of your profit away.

