

TFSA Interest Calculation

On January 4, 2020, a student decided they would like to open up a Tax-Free Savings Account. The student turned 18 on December 21, 2015, and is therefore eligible to make contributions for the years 2015 to 2020. The contribution limits for those six years are:

- 2015 = \$10,000.00
- 2016 = \$5,500.00
- 2017 = \$5,500.00
- 2018 = \$5,500.00
- 2019 = \$6,000.00
- 2020 = \$6,000.00

The student deposits their maximum contribution limit of \$33,000.00 upon opening the account.

If their bank offers a 2.10% interest rate for the first five months, and 0.10% thereafter, how much interest will they have earned after one year?

Note: the variable T in the simple interest formula is in years, but this question refers to months. You will need to calculate the interest in two parts. The first calculation will use

$T = \frac{5}{12}$ and the second calculation will use $T = \frac{7}{12}$.

TFSA Interest Calculation