

Investment for Scholarships

Note: This exercise goes with Section 5.3 of Finite Mathematics

In 1995, Oseola McCarty donated \$150,000 to the University of Southern Mississippi to establish a scholarship fund.* What is unusual about her is that the entire amount came from what she was able to save each month from her work as a washer woman, a job she began in 1916 at the age of 8, when she dropped out of school.

a. How much would Ms. McCarty have to put into her savings account at the end of every three months to accumulate \$150,000 over 79 years? Assume she received an interest rate of 5.25% compounded quarterly.

b. Since banking deregulation, the rate for a simple savings account is no longer set at 5.25% and tends to be lower. Answer part a using a 2% interest rate.

Answers can be found on the next page.

* *The New York Times*, Nov. 12, 1996, pp. A1, A22.

Answers to **Investment for Scholarships**

- a. \$32.49
- b. \$195.52