The Percentage Formula

Knowing how to work of percentages is a benefit in the area of finances.

If you are figuring out the return of your investments, you will need to know how to calculate percentages.

Here is an example:

Your return on an investment of $100 is $7. The formula for working out your return in terms of percentage is:

(a) 7 multiplied by 100 =700

(b) The answer is a being divided by 100= 7%

Your return $7 is multiplied by 100

Your investment of $100 is divided by 700

Shirley has $5,000 in her personal savings account and has received $100 in interest off that money. In terms of percentage, what is her return on that money?

(a) $100 multiplied by 100 =$10,000

(b) 10,000 dived by 5,000= 2

Shirley has received 2% interest on her money.

This formula does not include tax so supposing Shirley pays 17.5% tax.

The formula for working out the tax which needs to be paid on interest is straight forward; it is:

Interest received (income) multiplied by the individual’s tax rate (17.5%).

In Shirley’s case, this is $100 multiplied by 17.5% equals $17.50.

Her net return on her money is $82.50.

17.5% is 0.175

An example such as this shows us the futility of just leaving your money in the bank without investing it. The combination of inflation and taxation means that those who do not invest are losing the value of their money.

Saving money is a good habit to get into, but it is also important to get into the habit of investing. This increases your financial literacy.

Some people do not invest their money because they are afraid of losing their money, yet they will buy lottery tickets which is a sure-fire way of losing.

Knowing how to figure out percentages is a skill which will assist you in different areas of your life.

Here are some examples of where knowing how to calculate percentages will be a valuable skill.

Shopping & Discounts: Calculate discounts during sales (e.g., "30% off").

Tips & Service Charges: Determine how much to tip at restaurants (e.g., 15% or 20% of the bill).

Tax Calculations: Compute sales tax (e.g., 8% tax on a purchase).

Budgeting & Expenses: Track spending (e.g., "20% of my income goes to rent").

Loan & Credit Card Interest: Understand interest rates on loans or credit cards.

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