

Find the effective annual interest rates of the given nominal annual interest rates. Round your answers to the nearest 0.01%. [HINT: See Quick Example 5.]

5% compounded monthly

$$r_{\text{eff}} = \left(1 + \frac{r_{\text{nom}}}{m}\right)^m - 1$$

$$r_{\text{eff}} = \left(1 + \frac{.05}{12}\right)^{12} - 1$$

