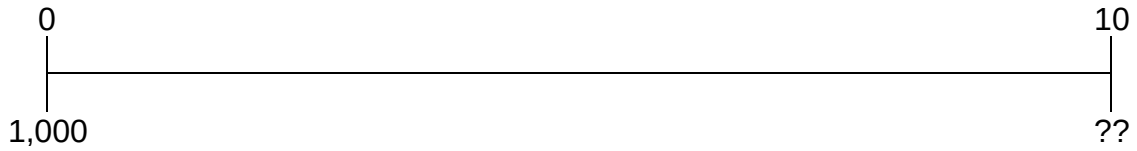
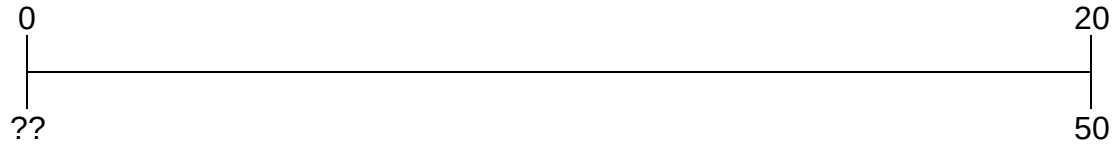
TIME VALUE EXAMPLES

1. How much will you have if you place $1,000 in the bank and leave it for 10 years at 6% annual interest?



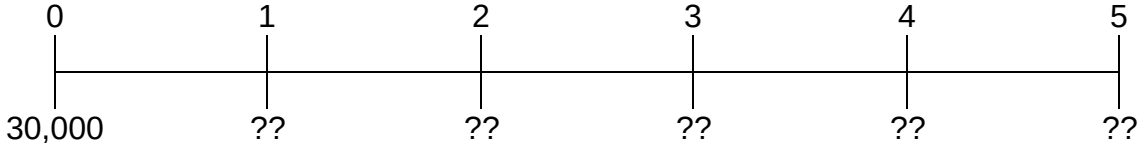
$$FV = [\,P \rightarrow F_{(6\%,10yr)}\,] \times PV = [1.7908] \times 1{,}000 = 1{,}790.80$$

2. When it matures in 20 years, a savings bond will pay $50. At 5% annual interest how much should the bond sell for currently?



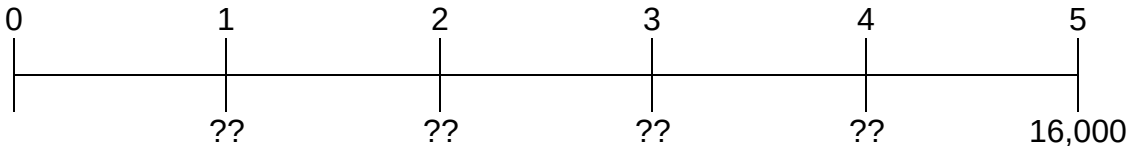
$$PV = [\,F \rightarrow P_{(5\%,20yr)}\,] \times FV = [0.3769] \times 50 = 18.85$$

3. If you pull $30,000 from bank to buy a pickup, how much per year are you giving up over the next 5 years? Effective interest rate would have been 6% per year.



$$AV = [P \rightarrow A_{(6\%,5yr)}] \times PV = [0.2374] \times 30{,}000 = 7{,}122.00$$

4. If you then sell that pickup for $16,000 at the end of 5 years, how much is that on a per-year basis? Interest still is 6%.



$$AV = [\,F \rightarrow AV_{(6\%,5yr)}\,] \times FV = [0.1774] \times 16{,}000 = 2{,}838.40$$