

## Worksheet

### Chapter 1 The Time Value of Money

Now you will learn how to compare the time value of different levels of interest rates. Follow your teacher's directions to either print out the activity, close this Web site, and go the S&P calculators Web site; or click on Standard & Poor's now and go back and forth between Web pages.

**Step 1** Go to the Standard & Poor's calculators Web site at <http://calculators.pubimage.com>.

**Step 2** Scroll down the page and click on "Time Value."

**Step 3** Click on "Start."

**Step 4** Now you will be able to enter information to calculate the time value of an investment. Enter the following values.

Dollar amount currently invested: 1000

Additional amount you will invest periodically: 0

Annual rate of return you expect to earn: 3

Number of years the investment will be held: 5

Press "Submit" and then use the results to answer the following questions:

1. What is the value of the investment after five years?
2. What is the amount of interest earned after five years?
3. Will the value of your investment have doubled after 20 years?

Press "Start Over", then "Start", and enter "6" as the annual rate of return. Then press "Submit" and use the results to answer the questions below:

4. What is the value of the investment after five years?
5. What is the amount of interest earned after five years?

6. By what percent has the value of the investment increased after 20 years?
  
7. Compare your answer to question 2 to that for question 5. The amount of interest earned after five years at 6 percent is more than twice the amount of interest earned at 3 percent. Why?