

Answers

Chapter 1 The Time Value of Money

1. \$1,162
2. \$162
3. No
4. \$1,349
5. \$349
6. 331%
7. Investment earnings compound faster at higher rates of return.

Teaching Tips

Chapter 1 The Time Value of Money

1. Have the students imagine they have received \$5,000 from a rich uncle as a graduation gift. Using the calculator, ask the students to determine the value of this investment after two years based on a six percent interest rate. Then ask them how much this investment will be worth in 45 years when they retire based on the same interest rate.
2. Ask the students to set their savings goals for today, next year, five years from now, and twenty years from now/
3. Using the Internet, the library or other resources, have the students determine the average rate of return on investments in the United States during the past 50 years.