

Time Value of Money

Practice Problems – Show your work and calculator keystrokes

1. Use the rule of 72 (not your financial calculator) to determine approximately how much you would have after 30 years if you put \$15,000 in an account earning 7% interest. Please draw a timeline to show your answer.
2. If you put \$75 per month in a savings account how much will you have after ten years assuming you can earn 7% on your investment?
3. If you put \$12,000 in an account earning 8% interest, how much will you have in 15 years? Use the rule of 72 to check your answer.
4. You purchase a piece of equipment for \$100,000. You can borrow the money from a bank for ten years at 6% interest. How much will your monthly payments be? (HINT: do not forget the down payment of 20% or the fact that you will pay MONTHLY). Show your calculator keystrokes.
5. How much will you pay in total finance charges for the loan in #4?

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