Chapter 2

# Banking

Section 2-8

## Present Value of Investments

**Objectives:**

**Calculate** the present value of a

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**2 ways reach a financial goal:**

1. One single deposit that will earn

2. Make

**Example 1**

Mr. and Mrs. Johnson know that in 6 years, their daughter Ann will attend State College. She will need about $20,000 for the first year's tuition. How much should the Johnsons deposit into an account that yields 1.5% interest, compounded annually, in order to have that amount?

B =
p =
r =
n =
t =

**Example 2 – You Try It!**

Raven just got an inheritance and she wants to put enough of it away so that she will have $100,000 in 10 years in order to buy a home. How much must she deposit in that account now at a 0.95% interest rate, compounded daily, in order to meet that goal?

B =
p =
r =
n =
t =

**Example 3**

Nick wants to install central air conditioning in his home in 3 years. He estimates the total cost to be $15,000. How much must he deposit monthly into an account that pays 1.4% interest, compounded monthly, in order to have enough money?

B =
p =
r =
n =
t =

**Assignment 2-8**

Read Pages 115 to 118
Do Page 119: # 2-9