

- 1) Suppose you are committed to owning a \$175,000 Ferrari. If you believe your mutual fund can achieve an annual return of 11.2% and you want to buy the car in 10 years how much do you invest today?
- 2) You've just made your first \$5000 contribution to your individual retirement account. Assuming you earn an annual rate of return of 10.2% and make no additional contributions what will your account be worth when you retire in 45 years? What if you wait ten years before contributing (does this suggest an investment strategy?)
- 3) You are scheduled to receive \$10,000 in two years when you receive it you will invest it for six more years at 7.5% per year. How much will you have in eight years?
- 4) You have \$5,800 to deposit. Regency bank offers 12% per year compounded monthly (1% per month), while King bank offers 12% but will only compound annually. How much will your investment be worth in 20 years at each bank?
- 5) You have \$20,000 you want to invest for the next 40 years you offered an investment plan that will pay you 6% per year for the next 20 years and 10% per year for the last 20 years. How much will you have at the end of 40 years? Does it matter if the investment plan pays you 10% per year for the first 20 years and 6% per year for the next 20 years? Why or why not?