

Time Value of Money Examples

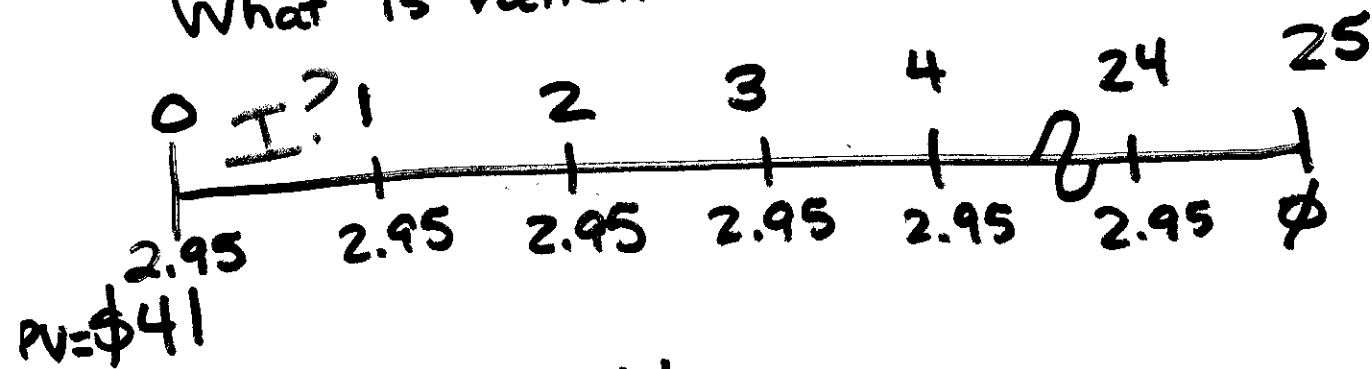
Remember the August 2001 Powerball worth \$295 million? It was won by 4 people, so each won "\$73.7 million."

Their choice:

① \$41 million up front

② \$73.7 million (\$2.95 million \times 25y)

What is rationale for the choice?



$$PV = 41$$

$$PMT = 2.95$$

$$[FV = \phi]$$

$$N = 25y$$

Annuity Due so

"Begin" Mode

$$Cpt I =$$

$$5.7\%$$

Powerball buys investments (typically bonds) to generate \$2.95 m with the \$41 million.

