

Saving for retirement.

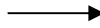
Checkpoints



Activity 1

With this input EXE can be pressed repeatedly to see the annuity grow in value

```
200
Ans×(1+7÷1200)+200 200
401.1666667
|PMAT
```



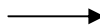
```
200
Ans×(1+7÷1200)+200 200
401.1666667
603.5068056
|PMAT
```



Activity 2

1.

```
Eq:A=M(((1+R)^N-1)÷R)
M=200
R=5.8333E-03
N=420
Lower=-9E+99
Upper=9E+99
|RCL|DEL| |SOLV|
```

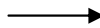


```
Eq:A=M(((1+R)^N-1)÷R)
A=360210.9203
Lft=360210.9203
Rst=360210.9203
|REPT|
```

The future value is \$360210.92 (to the nearest cent).

2.

```
Eq:A=M(((1+R)^N-1)÷R)
A=370000
M=200
R=5.8333E-03
N=420
Lower=-9E+99
Upper=9E+99
|RCL|DEL| |SOLV|
```



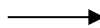
```
Eq:A=M(((1+R)^N-1)÷R)
M=205.4351932
Lft=370000
Rst=370000
|REPT|
```

The monthly payments would be \$205.44 (to the nearest cent).

3.

a)

```
Eq:A=M(((1+R)^N-1)÷R)
M=200
R=4.1666E-03
N=420
Lower=-9E+99
Upper=9E+99
|RCL|DEL| |SOLV|
```

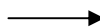


```
Eq:A=M(((1+R)^N-1)÷R)
A=227218.4851
Lft=227218.4851
Rst=227218.4851
|REPT|
```

The future value would be \$227218.49 (to the nearest cent).

b)

```
Eq:A=M(((1+R)^N-1)÷R)
A=227218.485
M=200
R=7.5E-03
N=420
Lower=-9E+99
Upper=9E+99
|RCL|DEL| |SOLV|
```



```
Eq:A=M(((1+R)^N-1)÷R)
A=588356.8947
Lft=588356.8947
Rst=588356.8947
|REPT|
```

The future value would be \$588356.89 (to the nearest cent).

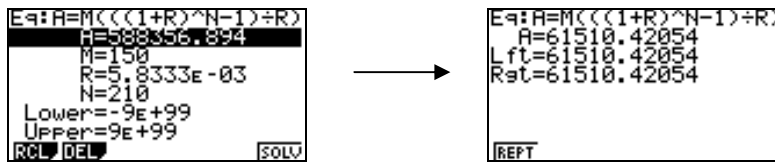
c)

The difference here is obviously very large. This is one reason why the results obtained from the 'super calculators' offered on the website's of some financial institutions vary widely and should be used with caution. ASIC offers their own 'calculator' and warn against relying the predictions gained elsewhere.

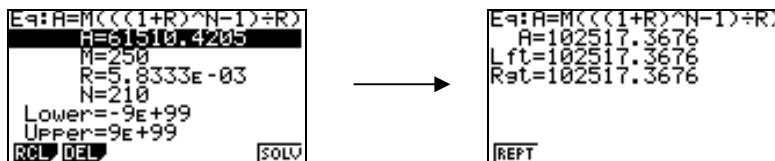
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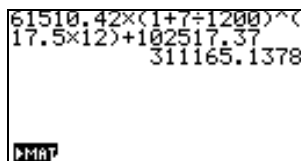
4.



This provides the future value of the first half of the super contributions
 Now we need to calculate the second half of the super contributions.



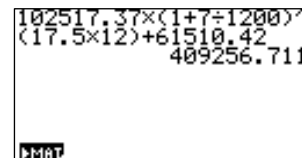
Now we need to keep the first 'half' growing at 7%. Note, this is a compound interest calculation *not* an annuity one because there are no further payments going into this 'half' of the super fund. This is then added to the second 'half' of the super fund.



So in total we have \$311165.14 (to the nearest cent).

5.

Here the two 'halves' are reversed. Note that there is no need to do further annuity calculations, it is just that the big half now grows while the small half is accumulating. The result being \$409256.71 (to the nearest cent).



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Activity 3

1.

<pre>Eq: A=M(((1+R)^N-1)÷R) A=12000 M=100 R=3.3333E-03 N=0 Lower=-9E+99 Upper=9E+99 [RCL] [DEL] [SOLV]</pre>	→	<pre>Eq: A=M(((1+R)^N-1)÷R) N=101.1098138 Lft=12000 Rst=12000 [REPT]</pre>
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As the N value is periods – in this case months – we can get a more meaningful answer in years by dividing by 12.

```
N÷12      8.425817816
[DMAT]
```

So, it will take a little under 8 years and 6 months.

2.

a)

<pre>Eq: A=M(((1+R)^N-1)÷R) A=12000 M=440 R=4.5833E-03 N=48 Lower=-9E+99 Upper=9E+99 [RCL] [DEL] [SOLV]</pre>	→	<pre>Eq: A=M(((1+R)^N-1)÷R) A=23563.25478 Lft=23563.25478 Rst=23563.25478 [REPT]</pre>
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b)

To determine the amount of interest we need to calculate the value of the \$440 contribution made every month for 4 years and then subtract this from the future value as found in part (a).

```
440×12×4      21120
A-Ans          2443.254781
[DMAT]
```

Hence we see the interest paid is \$2443.25 (to the nearest cent).

3.

<pre>Eq: A=M(((1+R)^N-1)÷R) A=5000 M=150 R=4.5833E-03 N=24 Lower=-9E+99 Upper=9E+99 [RCL] [DEL] [SOLV]</pre>	→	<pre>Eq: A=M(((1+R)^N-1)÷R) R=0.02741595543 Lft=5000 Rst=5000 [REPT]</pre>
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This monthly interest rate (as a decimal) can be converted to an annual percentage as below, giving an unlikely 32.9%.

```
R×12×100      32.89914652
[DMAT]
```

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4.

Note that the interest as a decimal per compounding period was $3.9/5200$ due to the weekly compounding period.

Contributions of \$37.73 (to the nearest cent) are required.

