

Exit Ticket Answers

Directions: Answer the questions below in a complete sentence.

1. Why is \$100 a year from now not worth the same amount as \$100 today?
Inflation will take away the value; also, you could earn interest if you had the \$100 today.
2. If the interest rate on investments rises, what happens to the future value of \$100 in your pocket today?
The future value will rise.
3. If the interest rate on investments rises, what happens to the present value of \$100 you would earn a year from now?
The present value will fall; you are giving up even more potential interest by waiting to get the money later.
4. What is one situation in which it would be helpful to use time value of money calculations?
Possible answers include: deciding whether and where to invest savings, deciding whether to accept a buyout, deciding whether to pay off a mortgage.