# Time Value of Money

## After watching the Subjectmoney video “Time Value of Money,” found at <https://www.youtube.com/watch?v=XF_3Dt-8OPE>, answer the following questions.

1. What is future value?
2. What formula could you use to determine the future value of money?
3. What information do you need to calculate present value?
4. Calculate the future value of putting $1,000 in a savings account paying 4% interest for a period of 1 year. What would the number be if you left the money in savings for 2 years?

# Time Value of Money Answer Key

## After watching the Subjectmoney video “Time Value of Money,” found at <https://www.youtube.com/watch?v=XF_3Dt-8OPE>, answer the following questions.

* 1. What is future value?

*The value that a sum of money today will be worth at some point in the future if invested for a return.*

* 1. What formula could you use to determine the future value of money?

*FV = PV x (1 + i)N*

* 1. What information do you need to calculate present value?

*Future cash flow amount, number of periods until cash flow will be received, the discount rate.*

* 1. Calculate the future value of putting $1,000 in a savings account paying 4% interest for a period of 1 year. What would the number be if you left the money in savings for 2 years?

*FV = PV x (1 + i)N*

*FV = $1,000 x (1 + .04)1 = $1,040 FV = $1,000 x (1 + .04)2 = $1081.60*