Inflation-Adjusted Net Worth - Question & Answer

# Question:

If you retire in 15 years with $900,000 saved, what is its present value adjusted for 2.5% annual inflation?

# Answer (Code):

import numpy as np  
  
# Set your future net worth  
future\_net\_worth = 900000  
  
# Set the annual inflation rate to 2.5%  
annual\_inflation = 0.025  
  
# Calculate the present value of your terminal wealth over 15 years  
inflation\_adjusted\_net\_worth = np.pv(rate=annual\_inflation, nper=15, pmt=0, fv=-future\_net\_worth)  
  
print("Your inflation-adjusted net worth: $" + str(round(inflation\_adjusted\_net\_worth, 2)))

## Question Explanation (20 words):

The question calculates the current equivalent of $900,000 after 15 years of 2.5% annual inflation without monthly compounding.

## Answer Explanation (20 words):

Using present value formula, the value of $900,000 is adjusted downward to account for inflation over time.

## Reference Image:

