**TIME VALUE OF MONEY**

**INTRODUCTION**

Time value is a finance concept which takes into consideration the worth of an amount of funds or money today in respect to the worth of the funds or money in future when the money is invested at an interest rate for the period.

**STRATEGIES, TOOLS AND TECHNIQUES IN FINANCIAL ENGINEERING**

**Strategies**

Implementing financial strategy by creating strong relationships with banks and debt providers to help secure the optimal amount of debt financing at favorable interest rates and short repayment time periods and managing cash flows are key to generating increasing returns and portfolio value for companies.

Using repo’s (selling the repurchasing the same instrument) to devise financial engineering strategies; Examples-

1. Funding fixed income portfolios – a dealer without cash oversees the immediate buying and repo of a bond to secure the funds needed to repay for it. The dealer earns the bond return and his cost is the repo rate
2. The conducting of an initial clients finance needs goes a long way into determining what and how to structure products needed in the financial engineering process.

**Tools and techniques**

These include use of computers software applications for modeling and designing the financial products, using predictive analysis of clients’ information to design products in line with consumer requirements. Basic finance computational techniques using models like CAPM for cost of equity and other cost of debt formulas helps to streamline the financial product development process.