

# Getting Started with Python and Excel

## Building a Basic Model in Both Excel and Python

Nick DeRobertis<sup>1</sup>

<sup>1</sup>University of Florida  
Department of Finance, Insurance, and Real Estate

May 26, 2021

# Table of Contents

- 1 An Introductory Model
- 2 Excel Solution
- 3 Python Solution
- 4 Extending the Model and Iteration

# Approaching a Problem with Two Tools

- The focus today is to get familiar working in both Excel and Python
- We will approach this by building a simple model with both tools
- In later lectures, we will move to combining the tools

$$\begin{aligned}
 &u+v)x + (-u+v)y + (5u+2v)z - 3u+v=0 \quad (2) \\
 &x = x_1+mt, \quad y = y_1+nt, \quad z_1 = z+pt \\
 &x = mz+a, \quad y = nz+b \quad \frac{x-a}{m} = \frac{y-b}{n} = \frac{z}{1} \\
 &y^2 (x+c)^2 + y^2 = 4a - 4a\sqrt{(x-c)^2 + y^2} + (x-c)^2 + y^2 \\
 &\lim_{x \rightarrow 0} \left( \frac{1}{x} - \frac{1}{e^x-1} \right) = \lim_{x \rightarrow 0} \frac{e^x-1-x}{x(e^x-1)} = \frac{1}{2} \\
 &y' = (\ln u)' \quad (\sin x)' = \frac{1}{u} \cos x = \frac{\cos x}{\sin x} = \cot x \\
 &\int f(x) dx = \lim_{a \rightarrow 0} \int_a^b f(x) dx + \lim_{b \rightarrow 0} \int_c^b f(x) dx \quad \int f(x) dx \\
 &\lim_{x \rightarrow 0} \frac{4x}{\tan(\pi(2+x))} = \left\{ \frac{0}{0} \right\} = \lim_{x \rightarrow 0} \frac{4x}{\tan 2\pi x} = \frac{2}{\pi} \\
 &a \sum_{i=1}^n x_i^2 + b \sum_{i=1}^n x_i = \sum_{i=1}^n x_i^2 y_i \quad a \sum_{i=1}^n x_i^2 + bn = \sum_{i=1}^n x_i^2 y_i \\
 &y = \pi - x, \quad x \rightarrow \pi, \quad y \rightarrow 0 \\
 &\sin 3x = \sin 3(p-y) = \sin(3p-3y) = \sin 3y
 \end{aligned}$$

# A Simple Retirement Problem

- Let's take what is perhaps the simplest finance problem, which everyone should understand
- While you may have approached such a problem with a calculator before, we will build models for it instead
- Martha is saving for retirement. She earns \$60,000 per year and is able to save 25% of that. If she invests her savings, earning 5% per year, and she needs \$1,500,000 to retire, how soon can she retire?

# Breaking Down the Retirement Problem

## A General Structure

Inputs



Process



Outputs

## Real-world Problem

Wages, Savings



Investment



Cash in the  
bank, person  
retires

## A Model of the Problem

Cash Flows, Savings  
Rate, Interest Rates



Model



FV of CF, time  
until retirement

# Table of Contents

- 1 An Introductory Model
- 2 Excel Solution
- 3 Python Solution
- 4 Extending the Model and Iteration

# Solving the Problem in Excel

- It is easy to use Excel as a calculator and just type the math in directly. But we want to build a model.
- Changing inputs should result in a change to outputs. The way to do this in Excel is cell references
- Fixed references become important when trying to drag formulas, e.g. \$A\$2 (fully fixed), \$A2 (fixed on column), or A\$2 (fixed on row).



# Simple Retirement Problem in Excel

## Intro Excel Exercise

- Go to [the course site](#) and download Simple Retirement Model Excel
- Follow along as I recreate the simple model.

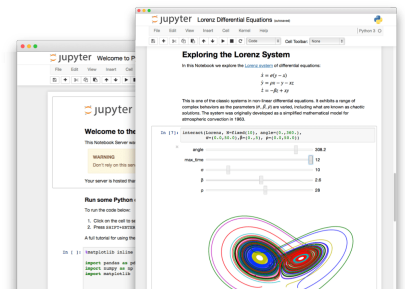


# Table of Contents

- 1 An Introductory Model
- 2 Excel Solution
- 3 Python Solution**
- 4 Extending the Model and Iteration

# How We'll Work in Python

- Using Python in the terminal is kind of a pain. And so, tools were born.
- Jupyter is a graphical interface we can use for Python. It also supports over 40 other languages such as R, SAS, Julia, and Scala
- You can use jupyter notebook or jupyter lab. The latter has a lot more features outside of the notebook. We will focus on using jupyter lab in this class as it is the future of Jupyter.



# Let's Get Set up with Jupyter

## Launch Jupyter Notebook

- 1 Launch Anaconda Navigator
- 2 Find Jupyter Notebook on the main screen, and click launch
- 3 You should see a list of folders and files. Click New and then Python 3
- 4 Now you should see a code cell with `In [ ]:` next to it

If you don't have Anaconda Navigator, just open a terminal (search `cmd` on Windows, `terminal` on Mac). Then in the terminal, type `jupyter lab` and enter. Then continue with the third step.

# Some Python Basics

- In Excel, the basic unit is a cell. In Python, the basic unit is an object.
- In Excel, content in a cell is either a number (123) or a string (ABC)
- In Python, all objects have types. They might also be a number or a string, or something else.
- Rather than using a cell reference like \$A\$2, we assign names to objects in Python

- ```
my_number = 6  
my_string = 'ABC'
```

# Doing Some Math in Python



# NumPy

## Note: Deprecation warning

In the future, these numpy financial functions are being moved to a separate package `numpy_financial`. For the purposes of this class, this won't matter, but in the future you may have to install `numpy_financial` to use these functions. In the meantime, you will see a warning come up when calling the functions.

- Basic operations in Python are straightforward
- $2 + 5 = 7$
- $6 - 2 = 4$
- $2 * 3 = 6$
- $5 / 2 = 2.5$
- A lot more is available using the numpy package
- `np.pv`, `np.nper`,  
`np.fv`, `np.pmt`
- [All numpy financial functions](#)

# Simple Retirement Problem in Python

## Intro Python Exercise

- Go to [the course site](#) and download Simple Retirement Model Python
- In Jupyter, then navigate to your Downloads folder (or wherever you saved it)
- You should then see Simple Retirement Model.ipynb come up in the list of files in Jupyter. Click it to open it and follow along.

# Table of Contents

- 1 An Introductory Model
- 2 Excel Solution
- 3 Python Solution
- 4 Extending the Model and Iteration

# Extending the Model - Multiple Interest Rates

- Now we've got basic models to determine how long it will take Martha to retire.
- We've got a few assumptions built into the model. One is that Martha will earn 5% on her investments
- Rates of return are volatile, so we want to see how long it would take her to retire if her return was different



# Programming Fundamentals - Iteration

- In programming, for model building or otherwise, you often need to repeat the same process for multiple different things
- In Excel, you would do this by dragging formulas.
- In Python, as in most other programming languages, we would use a for loop
- This says, do something, for each value I pass into the loop

# Iteration - Python vs. Excel

## Python Iteration

```
inputs = [5, 10, 15]
for item in inputs:
    new_value = item + 2
    print(new_value)
```

7

12

17

## Excel Iteration

| Input | Output | Function |
|-------|--------|----------|
| 5     | 7      | =B4+2    |
| 10    | 12     | =B5+2    |
| 15    | 17     | =B6+2    |

# Explaining Python Iteration

- There's a few things to unpack here
- Here's another type of object: not a number or a string, but a list
- A list holds multiple objects, and you can add or remove items from lists

## Python Iteration

```
inputs = [5, 10, 15]
for item in inputs:
    new_value = item + 2
    print(new_value)
```

```
7
12
17
```

## Explaining Python Iteration (pt. 2)

- Here we define a list of three numbers as inputs
- Then we use a for loop to get each input out of the list, and add 2 to it to create the new value
- Finally we print each value as it is generated

### Python Iteration

```
inputs = [5, 10, 15]
for item in inputs:
    new_value = item + 2
    print(new_value)
```

```
7
12
17
```

# Iterating the Existing Model

## Expanding on Python and Excel

- I will now expand the existing Excel and Python models to examine multiple interest rates
- Continue viewing the same previously downloaded files.

# Vary Savings Rate Lab

## Extending a Simple Retirement Model

- 1 Now we want to see the effect of savings rate on time until retirement, in addition to interest rate
- 2 In both Excel and Python, calculate the years to retirement for savings rates of 10%, 25%, and 40%, and each of these cases with each of the interest rate cases, 4%, 5%, and 6%
- 3 Be sure that you drag formulas in Excel and use for loops in Python to accomplish this
- 4 In total you should have 9 calculated years to retirement numbers, in each of the two models.

Answers: Slide [24](#)

Resources: Slide [25](#)

# Lecture Resources

## Lecture Resources

- ① [Slides - Getting Started with Python and Excel](#)
- ② [Lecture Notes - Getting Started with Python and Excel](#)
- ③ [Simple Retirement Model - Excel](#)
- ④ [Simple Retirement Model - Python](#)

# Vary Savings Rate Lab, Answers

## Extending a Simple Retirement Model, Answers

- ① Martha has 61.1 years to retirement if she earns a 4% return and saves 10%.
- ② Martha has 41.0 years to retirement if she earns a 4% return and saves 25%.
- ③ Martha has 31.9 years to retirement if she earns a 4% return and saves 40%.
- ④ Martha has 53.3 years to retirement if she earns a 5% return and saves 10%.
- ⑤ Martha has 36.7 years to retirement if she earns a 5% return and saves 25%.
- ⑥ Martha has 29.0 years to retirement if she earns a 5% return and saves 40%.
- ⑦ Martha has 47.6 years to retirement if she earns a 6% return and saves 10%.
- ⑧ Martha has 33.4 years to retirement if she earns a 6% return and saves 25%.
- ⑨ Martha has 26.7 years to retirement if she earns a 6% return and saves 40%.

Exercise: Slide [22](#)

Resources: Slide [25](#)



# Vary Savings Rate Lab Resources

## Extending a Simple Retirement Model Resources

- 1 [Simple Retirement Model - Excel](#)
- 2 [Simple Retirement Model - Python](#)
- 3 [Slides - Getting Started with Python and Excel](#)

---

Exercise: Slide [22](#)

Answers: Slide [24](#)