Annuity(Cash or PMT): Future Value

Annuity is multiple payments paid over period of time. Ex: Loan

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **Cash Flow** | **Years to end N** | **Future Value** |
| 0 | **0** | 3 | 0 |
| 1 | C | 2 | C (1+r)^2 |
| 2 | C | 1 | C (1+r)^1 |
| 3 | C | 0 | C |

F.V = C[(1+r)^(n-1)+…. 1]

P.V = (rate,period,pmt,fv)

Rate – 8% 🡺 0.08

Period in years

Pmt – Monthly payment

Fv – Future value