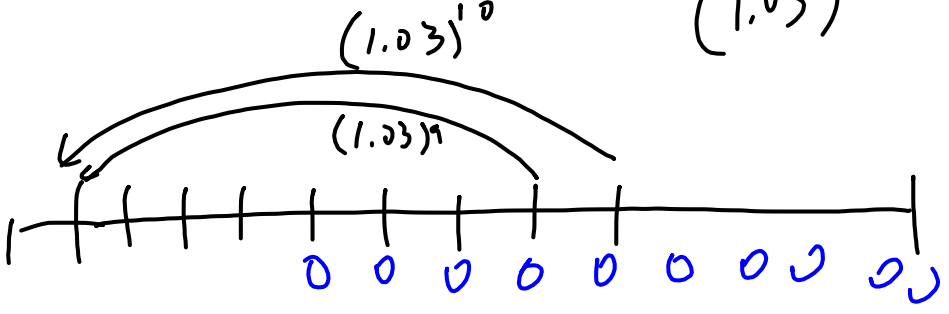
Annuity – any constant stream of payments

#3 (deferred annuity) put off for 5 years.

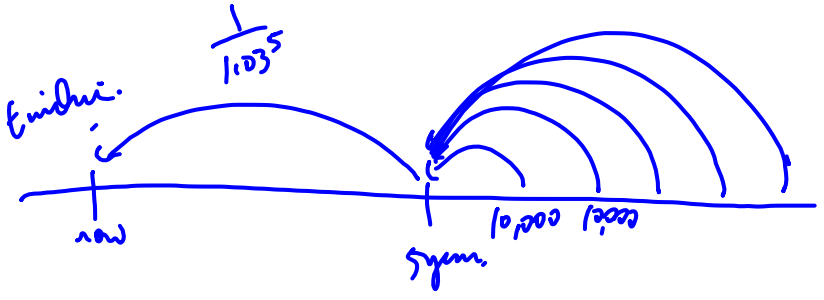
ans #2 $\frac{85,302.03}{(1.03)^5}$



#2 $PV = \frac{10000}{1.03} + \frac{10,000}{1.03^2} + \frac{10,000}{1.03^3} + \cdots \frac{10,000}{1.03^{10}}$

deferred amt $= \frac{10,000}{1.03^6} + \frac{10,000}{1.03^7} + \frac{10,000}{1.03^8} + \cdots \frac{10,000}{1.03^{15}}$

$= \frac{1}{1.03^5}\left[\frac{10,000}{1.03} + \frac{10,000}{1.03^2} + \right.$



Mortgages, Student Loans, etc.

- term/maturity. = how long do you have to pay back your loan.
- Principal – the amount that you borrowed.
- Interest rate (fixed)
- Payment frequency. (monthly).

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ex Mortgage. 300,000 Principal
interest 3.5%.
maturity 10 years.
payment freq is annually