**IE 260 CLASS EXERCISES - WEEK 11**

1. Find the present worth of $20,000 (actual dollars) in year 10 at a real interest rate of 10% per year and an inflation rate of 6% per year when using
   1. the real interest rate, and
   2. the inflated interest rate (market interest rate)
2. Golf player Jack Nicklaus won his first Master Tournament in 1963. The prize was $20,000. On the other hand, golf player Phil Mickelson won his first Master Tournament in 2004 and the prize amount was $1.17M. If the price indexes in 1963 and 2004 was 100.00 and 612.03 respectively;
   1. Calculate the average inflation rate between 1963 and 2004.
   2. What is the worth of $1.17M in terms of purchasing power in 1963?
   3. If Jack invested his prize money in 1963 at 5.66% (inflation-free interest rate), how much would the prize money grow until 2004?