Problem #1

You are 24 years old. You plan on putting away a fixed amount at the END of each year until you are 65 (40 fixed payments). You expect to earn 9% throughout the timeline.

At 65, you want the fund to pay out an annuity of $75,000 annually for the next 25 years. You are more conservative now and expect the fund to earn 55 annually.

- How much do you need to save annually between 25 and 65 ?
- How much will you need on hand @ 65 to cover the $75k annuity ?
- Note: you should start "backwards". Figure question 2 first.

Problem #2

You win the lottery for $20MM. You have a choice.....

Take the $10.6MM now

Take the $1MM now and $1MM for the next 19 years.

Assume you expect to earn 6% on your investments.. All things being equal (ignore taxes. early death,gov't bankruptcy etc).....what makes better economic sense ?

Hint: find the discount rate used to value the $10.6MM