***Present Value of an Annuity***

Where:

the cash flow received at and every period after until the last cash flow at . All cash flows are equal to , they don't grow.

the number of cash flows. Some people prefer to use ‘n’ rather than ‘T’.

 the effective rate over a single period.

Note that is used instead of to remind you that the first cash flow is 1 period ahead of the present value . The annuity formula does not include a cash flow at .

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***Calculation Example: Present Value of an Annuity***

**Question**: What is the value of receiving $10 for the next 5 years with the first payment one year from now? The interest rate is 10% pa.

**Answer**:

***Questions: Annuities***

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