Name:

Mary invests $100,000 at 10% interest for two years. She is in a 28% tax bracket. She is able to write off $2000 of revenue in year one as a tax deduction, and $3000 in year two as a tax deduction. She make an additional deposit of $1000 at the end or year one (after interest is calculated) and $2000 at the end of year two (after interest is calculated). Assume interest is calculated at the end of the year on the balance (before any deposits). Further, assume that tax is calculated on the end of year balance BEFORE any end of year deposits.

What is the present worth of this investment after taxes? (Hint: Please lay out a spreadsheet describing the cash flow period by period.)

Mary’s MARR is 20%. What amount of money must be deposited at the beginning of this transaction (one-time deposit) to achieve the same future worth? This is essentially the equivalent present worth of the investment.