

Standard Deviant School The Wild & Wacky World of Finance
Tape Three: *Money Management*
Length: 26 minutes, © 2002 Cerebellum Corporation
Audience: 7-12 grades

Money Management covers the present value concept, perpetuities, interest rates, and the concepts of compounding and risk.

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- I. Present Value of Money
 - A. Definition
 - B. Difference between present and future value
 - C. Frequently used terms
 1. Opportunity cost of money
 2. Opportunity cost rate
- II. Present Value of an Annuity
 - A. Definition
 - B. Present Value Interest Factor of an Annuity (PVIFA)
 - C. Difference in computing the present value of an annuity due
- III. Perpetuities
 - A. Definition
- IV. Practical Guide to Types of Interest Rates in the Marketplace
 - A. Nominal rate (market rate)
 - B. Quoted rate
 - C. Annual percentage rate (APR or Nominal Annual Percentage Rate)
 - D. Periodic Rate
 - E. Effective Annual Rate (EAR)
- V. Compounding
 - A. Equation given
 - B. Finding future value for irregular cash earnings
 - C. Finding present value for irregular cash earnings
- VI. Basic Financial Concepts
 - A. Risk
 1. Financial Risk
 2. Risk Aversion
 3. Risk Neutral
 4. Risk takers