What is the present value of $65,000 per year for 18 years at an assumed interest rate of 4.5%?

Solution:

With compound interest, we use the future value formula:

$$FV = PV(1 + r)^t$$

$$PV = \frac{FV}{(1 + r)^t}$$

$$PV = \frac{65{,}000}{(1 + 0.045)^{18}} = 29{,}432 \text{ \$}$$

Answer: $29,432