

ACTIVITY 5

Total return formula:

Annual return formula:

For both formulas, **multiply by 100** to convert to a percentage rate.

1. Investment period January 3, 2000 to September 23, 2002 (Estimate 1.75 years)

Record data

Initial investment in stock (1/3/00) _____

Asset value of stock (9/23/02) _____

Initial investment in bonds _____

Asset value of bonds* _____

Cash set aside _____

Total value of all assets (9/23/02) _____

*to calculate asset value of bonds, multiply initial investment by (1.0525). An initial investment of \$10,000 in bonds would be worth approximately \$10,525 by September 2002. This calculation uses the compound interest formula, assuming annual compounding with an interest rate of 3%: Ending Value = Principal $\times (1.03)^{1.75}$ with 1.75 representing the number of years.

Calculate

- a. Total return on investment in stock _____
- b. Annual return on investment in stock _____
- c. Total return on investment in bonds _____
- d. Annual return on investment in bonds _____
- e. Total return on all investments _____
- f. Annual return on all investments _____

2. Investment period January 3, 2000 to October 1, 2007 (Estimate 7.75 years)

Record data

Initial investment in stock (1/3/00) _____

Asset value of stock (10/1/07) _____

Initial investment in bonds _____

Asset value of bonds* _____

Cash set aside _____

Total value of all assets 10/1/07) _____

*to calculate asset value of bonds, multiply initial investment by (1.2325), again using the compound interest formula. An initial investment of \$10,000 in bonds would be worth approximately \$12,325 by October 1, 2007

Calculate

- a. Total return on investment in stock _____
- b. Annual return on investment in stock _____
- c. Total return on investment in bonds _____
- d. Annual return on investment in bonds _____
- e. Total return on all investments _____
- f. Annual return on all investments _____