

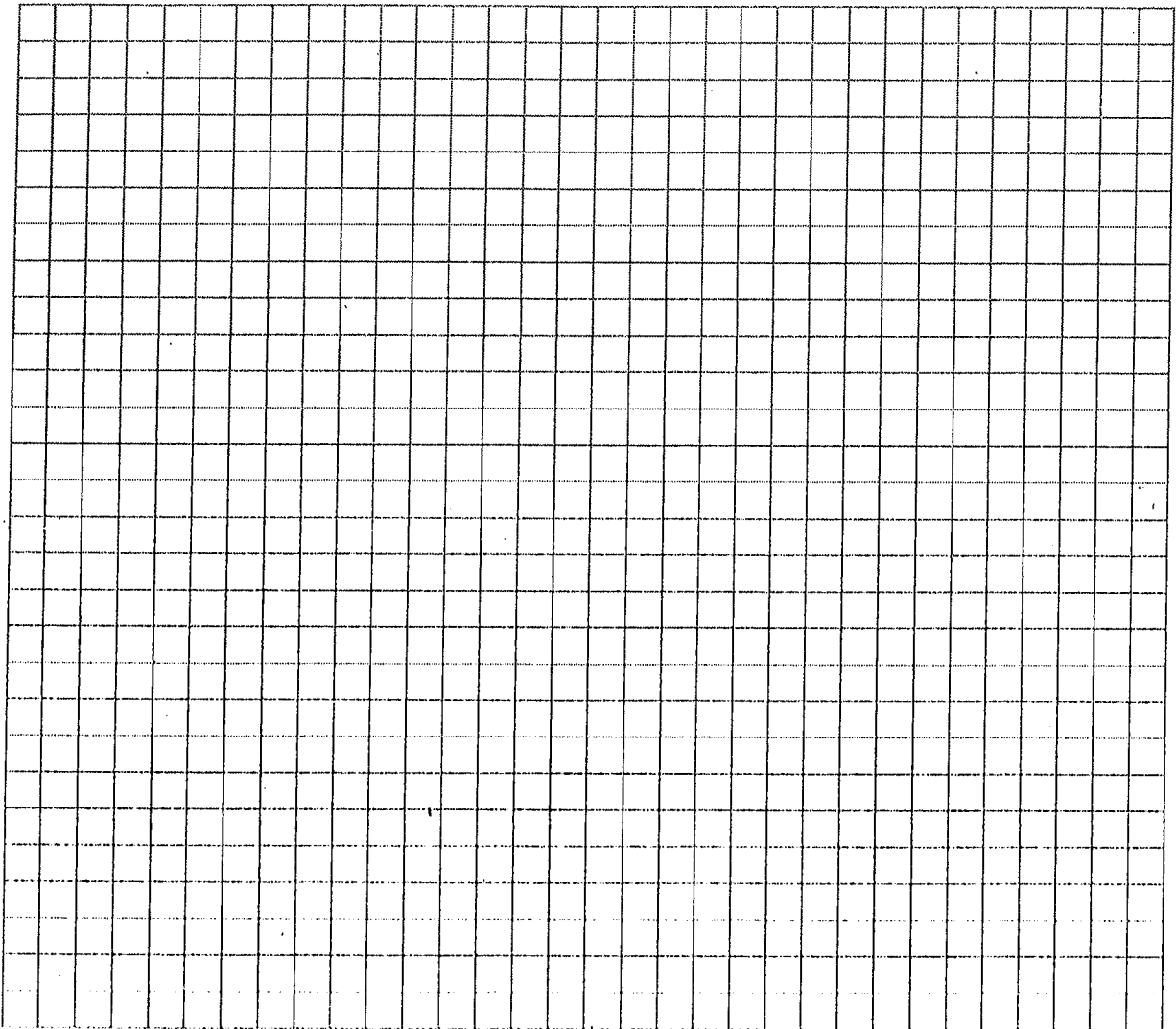
Question 6

(25 marks)

- (a) Fiona arranged to pay €120 at the end of each week for 25 years into a pension fund that earns an annual equivalent rate (AER) of 3.9%.
- (i) Show that the rate of interest, compounded weekly, which corresponds to an AER of 3.9% is 0.0736%, correct to four decimal places. [1 year = 52 weeks]

- (ii) Calculate, correct to the nearest euro, the total value of Fiona's pension fund when she retires.

- (b) On retirement, Fiona invests the total value of her pension fund in a scheme that earns an AER of 4.2%. Fiona will receive a fixed amount of money at the end of each month for twenty years, at which time the value of her investment will be zero. Calculate, correct to the nearest euro, the amount of each monthly payment.



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