

Draft due Monday March 27

Final due Monday April 3

Three friends, Xavier, Yancey, and Zane, were approaching college graduation and were lamenting a future spent slowly dying in front of a screen in a cubicle. The only promise of a reasonably exciting future came in their Math 150 course when they learned about annuities.

Yancey was a model student and began to research actual annuities available at local financial institutions. Luckily, a friend of his father worked at a bank and gave him the inside scoop on one of their best products.

“I have a friend who can hook us up with a great annuity,” he told Xavier and Zane, after meeting with the banker.

“You seriously care about any of that math stuff?” responded Zane.

“No, really. All we have to do is to put away 50 bucks each month going forward and in 30 years we’ll have enough for a huge adventure! The annuity pays 2.875%, which is a great rate. It’ll make all the slave labor we’re applying to be a part of worth it. I think I’d like to climb Mt. Everest and it costs like \$50K to hire a guide for that! I just hope I’m still in shape for it.”

“Okay, I guess I can handle 50 bucks a month, but I’m thinking of something more relaxing that involves, like, a boat or a beach, or something,” replied Xavier. Zane was still skeptical, but agreed that he’d give it a shot.

“Whatever, guys. We’ll meet for our 30th reunion and decide what to do,” Zane said, trying to keep the peace.

“Okay, we have a deal, then,” said Yancey, who went home that day and set up automatic monthly payments to begin in the first Monday of the month after graduation.

Xavier completely forgot to do it. Then, out of the blue seven years later, Yancey gave him a call and asked how things were going.

“I can’t believe how much this account has grown!” he said, referring to the annuity.

“uh . . . yeah . . . yep . . . how about that . . .” said Xavier, changing the subject. Immediately after he hung up he set up monthly payments of \$75 to the annuity.

“That oughtta do it. I bet I end up with even more than Yancey,” he thought, and remembered how Yancey always tried to outdo him on quizzes back in Math 150. “He was always so damn competitive . . .”

Zane remained skeptical, and then fell upon hard times, before finally landing a great job 15 years after graduation. It wasn’t until then that he finally set up his annuity by putting \$100 per month into the account. He hoped that by doubling the original payment he would surpass both of his old buddies.

The time came for the three men to meet. They all had aged 30 years since graduating and were in their early fifties.

Write the rest of this story in 2 – 3 pages. Separately, submit a page with your computations to determine how much each man had in their annuity account by the time they met.