Memo

To: Junior Staff Member
From: Ethan N Molnar
CC: Dr. Chunsheng Ban
Date: 4/6/10
Re: Level Deposit Investment

A longtime client wishes to make a new investment. His goal is to accumulate $10,000 by April 15, 2020. His cashflows allow him to make a consistent, level payment on April 15th of each year beginning this year, 2010, and ending in 2019. An investment portfolio has been developed that will earn our client a 12% annual effective rate of interest, paid at the end of each deposit year. That is, the interest will be paid immediately before each new deposit is made, beginning in 2011. Also, this strategy entails the interest-paid being immediately reinvested at an annual effective rate of 8%. Your task is to calculate the level deposit necessary for our client to amass $10,000 in the timeframe specified. Please understand the time sensitive nature of this assignment and ensure proper diligence and urgency.