

# [Business loans](https://assignbuster.com/business-loans/)

[Business](https://assignbuster.com/essay-subjects/business/)

The buzz infinancetoday is $1 is more valuable than $1 a year from now. For any currency whether dollar or euro inflation has negative impacts on returns on investments, dividends, capital gains or interest. Whereas it is important to take note from investing point of view that interest rates whether simple or compound must be reasonably higher for receiving higher returns in the long term. For business loans interest rates have to be lower as it reduces the burden of excessive repayments apart from principal loan amount.

Similarly for mortgages, interest rates have to be on the lower side of repayment. In a nutshell, all savings of earnings which appear in the form of investments in stocks, shares, corporate bonds, annuities, purchase equipment or buildings [capital asset] must return a higher rates of interest which doubles the investment in short period of time. Whereas all loans, mortgages, installment purchase agreements must incur a lesser interest rate burden for individual applicants.

Economic decisions have to be based on a principle of less cost and high rate or reasonable returns or savings while reducing tax burdens. One of the formulas for time value ofmoneyis: FV = pmt (1+I)? i. e. FV = future value, Pmt = payment, I = interest rate of return, N = number of years. If $100 were to be invested by an applicant at the age of 30 for a period of 15 years, the calculation would be FV = $100 (1+.

10)15 give the result as 4. 1772 which is multiplied by $100 is $418 (rounded off). The real purchasing power is four fold if inflation is not considered. Conclusion Small savings derive bigger benefits whether it is short term or long term whereas savings are a necessary part of future wealth creation keeping the facts of inflation it is important to cut costs of personal expenses and it is advisable to choose an appropriate saving scheme.

References

A lesson in the time value of money Accessed 11 May 2007 http://beginnersinvest. about. com/cs/personalfinance1/a/101303a. htm