

# Consumer math

[Science](#), [Mathematics](#)



Consumer Math Consumer Math Consumer math is a field of mathematics which helps one manage his personal finances. It covers a wide range of consumer problems such as budgeting, loans, banking, investments, insurance, and taxes.

One very useful concept of consumer math is the topic on annuities. “ An annuity is a stream of equal cash flows that occur at equal intervals such as monthly or annually” (Chatham Central Schools, n. d.). Examples of annuities are savings accounts, individual retirement accounts (IRA) and insurance policies where one makes a regular contribution. After making regular payments, one gets an amount which includes interests.

A specific example of annuities is when one deposits a certain amount at a savings plan at the end of each year for five years. One’s money earns interest at an annual compounded rate. The value of the annuity after five years will be the sum of all the deposits plus the interest earned over a period of five years.

Another example where an annuity can be applied in one’s personal finances is when one plans for one’s retirement fund. An individual may decide to put in \$2, 000 at the end of each year for the next 20 years into an IRA. If the IRA promises a return of 12 percent per year compounded annually, the individual will get a certain amount from the IRA after 20 years.

In making investments, annuities are very relevant. Several options are presented to individuals who want to make an investment. One such example is deciding whether to make a lump sum deposit or a periodic deposit for several years. If the interest rates are equal and the maturity date is the same, one has to decide which alternative will be more profitable.

The examples presented above are just some applications of consumer math, specifically annuities. Indeed, it is essential for every individual to understand the concepts covered by consumer math because it has a huge impact on one's personal finances.

#### References

Chatham Central Schools. (n. d.). Consumer math – Annuities and the TVM solver. Retrieved May 10, 2012, from [chathamcentralschools. com:](http://www.chathamcentralschools.com/hs/academic_dept/mathematics/vanleeuwen/Businessmath/jan6.pdf)  
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