CashCalc Specification Sheets (Client Facing)

Level vs. Indexed Annuity Calculator

Overview

The Level vs. Indexed Annuity Calculator is used to show the client the forecasted income that they would receive if they were to have their income influenced by inflation (indexed) or not (level). This calculator takes the Level Annuity, Indexed Annuity and the Inflation Rate and plots a standard and cumulative graph outlining the growth of the indexed annuity compared to the level annuity.

Assumptions

Below is a list of all assumptions made in order to perform the calculation:

- Growth is calculated on an annual basis, from the day that the forecast is created
- The forecast is shown over the next 40 years, from the day that the forecast is created
- Figures are rounded up to the nearest penny

Calculations Breakdown

The calculations require three parameters in order to calculate the given output, these being:

- Level Annuity
- Indexed Annuity
- Inflation Rate

The Level vs. Indexed Annuity Calculator estimates the growth of the indexed annuity year by year using the rate of inflation. This can be reproduced with the following equation, where n is the year of the calculation:

$$\text{Indexed Annuity}_{(n+1)} = \text{Indexed Annuity}_{(n)} \times \text{Rate of Inflation}$$

The standard tab will plot this figure and the set value of the level annuity per year on a graph. The cumulative tab will plot a graph using these figures to create a running total of the annuity up until that year for both forms of annuity.

A PDF report can be created from this calculator which contains detailed information about the relevant client's details and the outputs of the calculations performed. The data plotted in graphical form is created by using the GoogleChartAPI.