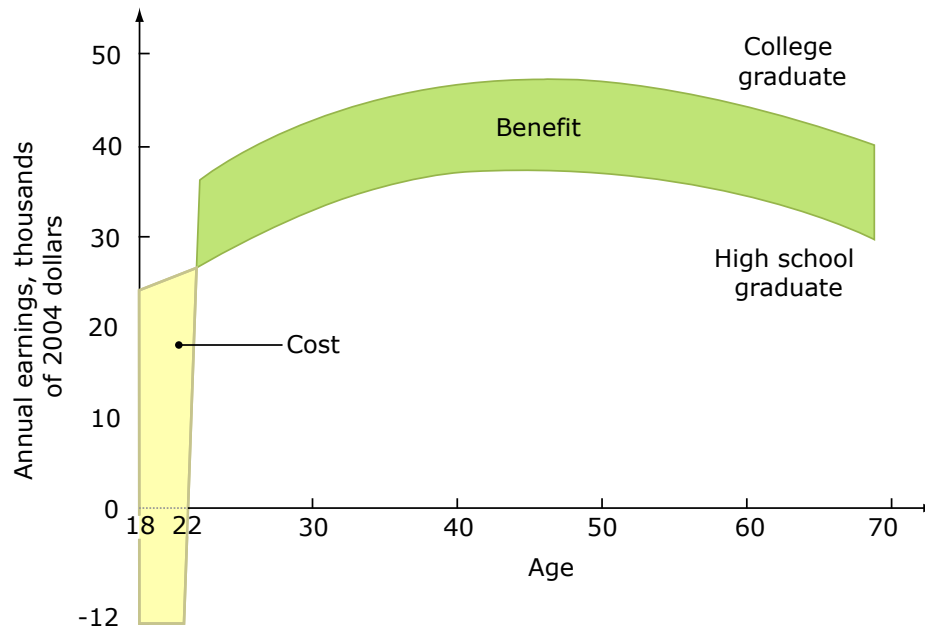


Figure 22-1: Present value of education



Discount Rate, %	Percent value, Thousands of 2004 dollars	
	High School	College
0	2,088	2,583
1	1,506	1,807
2	1,126	1,302
3	871	965
4	694	733
5	568	569
5.1	560	560
6	475	450
7	406	362
8	352	295
9	310	243
10	276	202

Figure 22-2: Tax subsidy to savings

Table 2

The tax advantage of IRA savings						
Account type	Earnings	Tax on earnings ($\tau=25\%$)	Initial deposit	Interest earned ($r=10\%$)	Taxes paid upon withdrawal	Total amount withdrawn
Regular	\$100	\$25	\$75	\$7.50	\$1.88 =0.25x(\$7.50)	\$80.62 =\$75+\$7.50-\$1.88
IRA	\$100	0	\$100	\$10	\$27.50 =0.25x(\$110)	\$82.50 =\$100+\$10-\$27.50

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