



2-1 Discussion: Time Value of Money Application

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I think that people usually have to make a decision like the one presented in the prompt sooner or later in life. On the one hand, you have debts to pay, and on the other hand, you have to invest the money you have or get. I would choose to invest the money that I receive as a sign-on bonus and forgo paying the debts for the moment. The 5000 dollars, in the first place, is subject to the various taxes that the government and the state cut based on the state where one resides. At the end of the day, one might not be taking home the full amount that they received as a bonus. Choosing to pay debts, in as much as it will serve to relieve me the pressure of having the debt over my head, will not bring in any benefits for me. The money will not be enough to pay all my debts, and I would not have gained anything from paying part of the debt.

One is never too old or too young to invest, and I think the earlier I start investing, the better. The bonus that I received is not little money, and I could be able to make a pretty sizeable investment. The benefits of investments are that they pay off over time. The benefits or profits that I receive from the investment will go towards servicing the various debts that I have. I might even end up not having to spend a dime of my personal money paying the debts, and the original bonus that I received might end up doing it all for me.

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