

Finding the effective rate: Simplified example

Example 1 - Solvable effective rate

A) BEL calculation

B) Goal seek calculation

Time	CF				Discounting		PV Result	Discounting		PV Result
	Premium	Acquisition Cost	Outgo	Net cash flows	Discount rate	Discount factor	PV	Discount rate	Discount factor	PV
0	1,500.00	(1,500.00)		-		1.00	<b>1,932.23</b>		1.00	<b>1,932.23</b>
1	1,500.00		(500.00)	1,000.00	2.0%	0.98		2.33%	0.98	
2	1,500.00		(500.00)	1,000.00	3.0%	0.95		2.33%	0.95	

Goal seek parameter	
(Cell in green is the eff rate to be solved)	
Goal seek rate	<b>2.33%</b>
Difference (target: 0)	0.0000

Example 2 - Unsolvable effective rate

A) BEL calculation

B) Goal seek calculation

Time	CF				Discounting		PV Result	Discounting		PV Result
	Premium	Acquisition Cost	Outgo	Net cash flows	Discount rate	Discount factor	PV	Discount rate	Discount factor	PV
0	1,500.00	(1,500.00)		-		1.00	<b>504.47</b>		1.00	<b>499.74</b>
1	1,500.00		(500.00)	1,000.00	2.0%	0.98		2.33%	0.98	
2			(500.00)	(500.00)	3.0%	0.95		2.33%	0.95	

Goal seek parameter	
(Cell in green is the eff rate to be solved)	
Goal seek rate	<b>2.33%</b>
Difference (target: 0)	(4.7327)