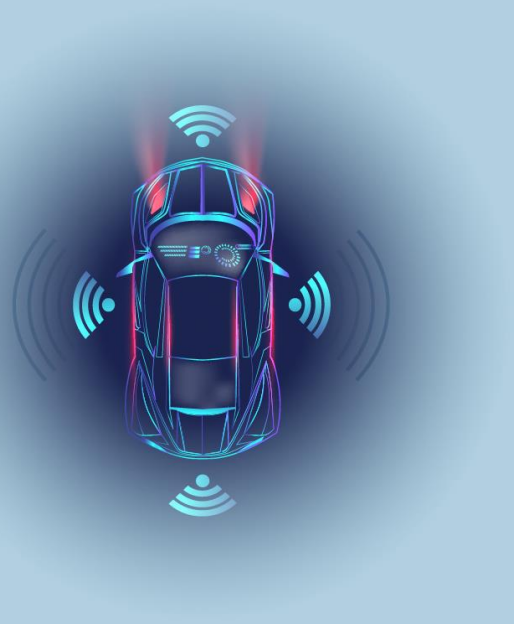
ICAEW KNOW-HOW
BUSINESS AND MANAGEMENT FACULTY



The net present value of happiness

23 SEPTEMBER 2020

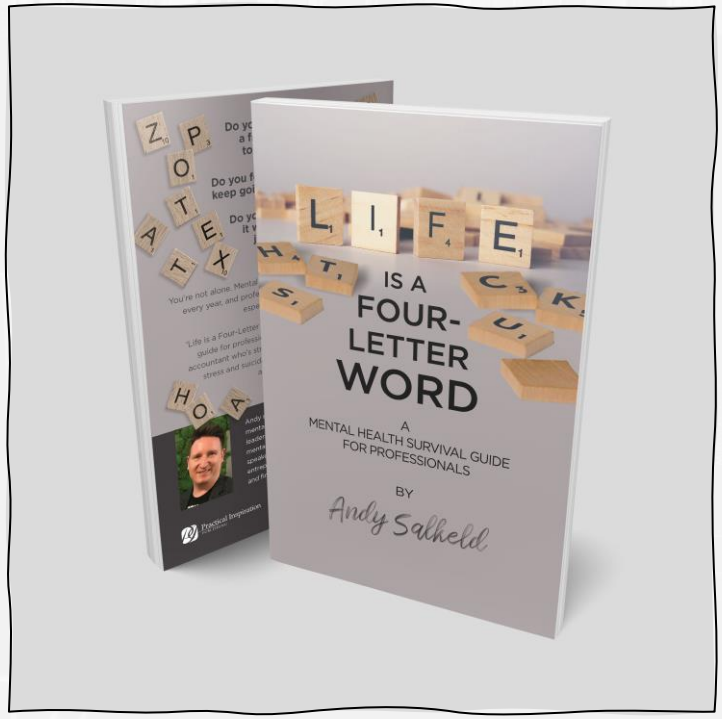
PRESENTED BY ANDREW SALKELD

Business & Management
20 minute webinar: The net present value of happiness

Andrew Salkeld

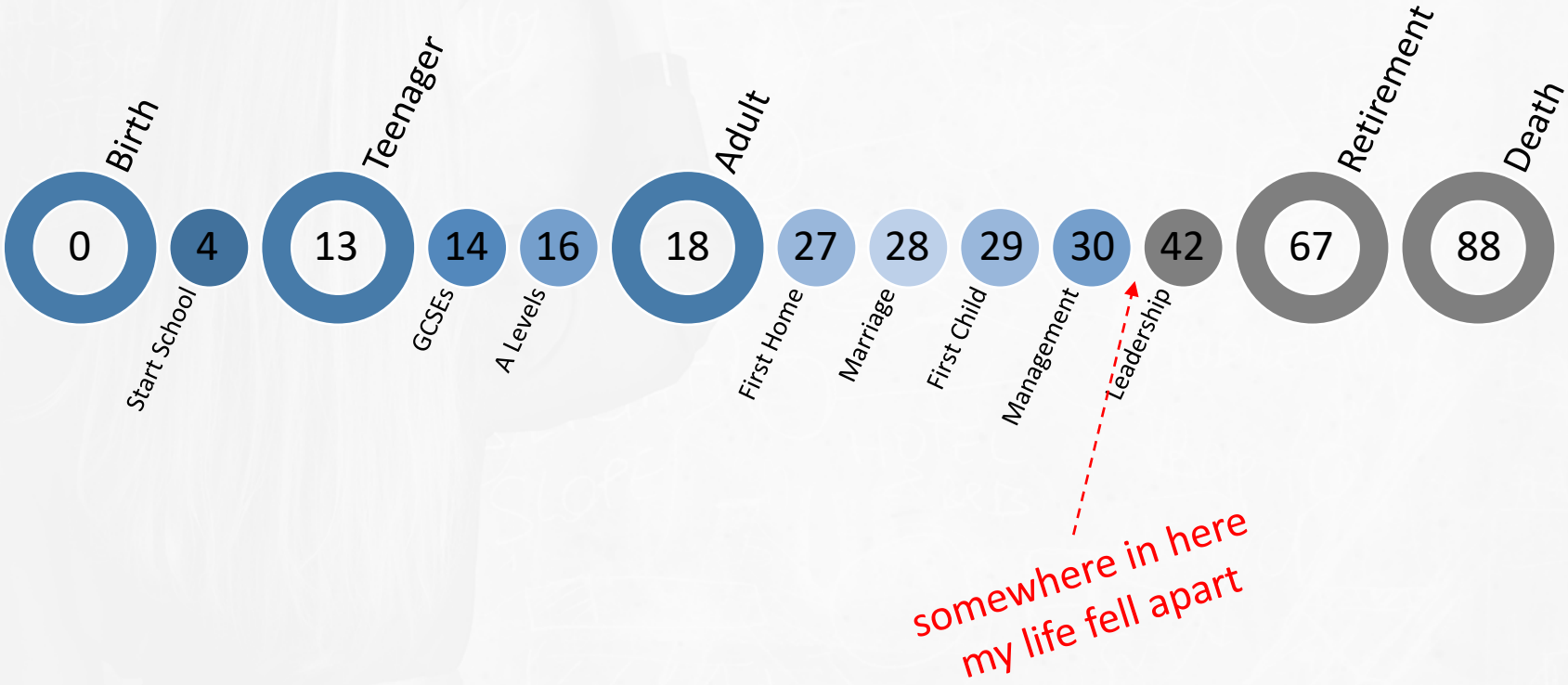
The Net Present Value of Happiness

by Andy Salkeld

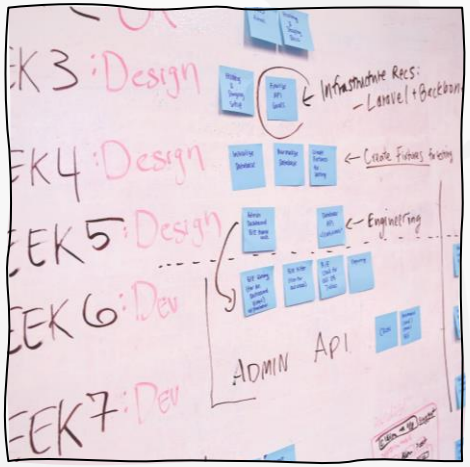


andysalkeld.com
#breakingthestigma #lifeisafourletterword

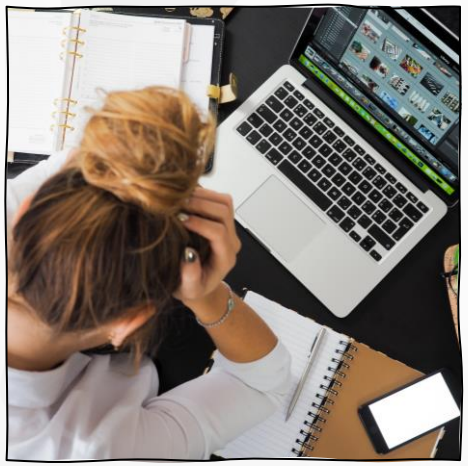
Life by Numbers



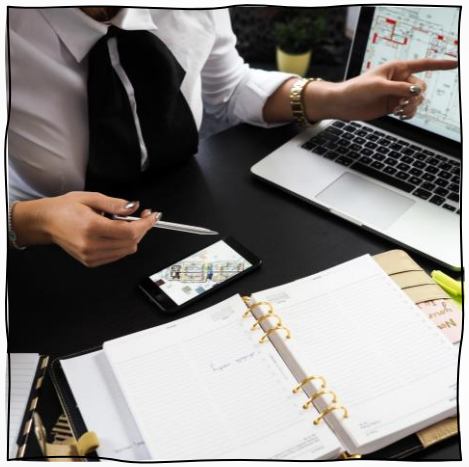
Waiting for the weekend?



…when this project is done…



…when I get that promotion…



…when I change jobs…

Net Present Value

$$NPV = \sum_{t=1}^{n} \frac{R_t}{(1+i)^t}$$

R_t	Net cash inflow minus outflow during period t
i	Discount rate or return of alternative investment during period t
t	Total number of time periods

Source: https://www.investopedia.com/terms/n/npv.asp accessed on 4 Feb 2020

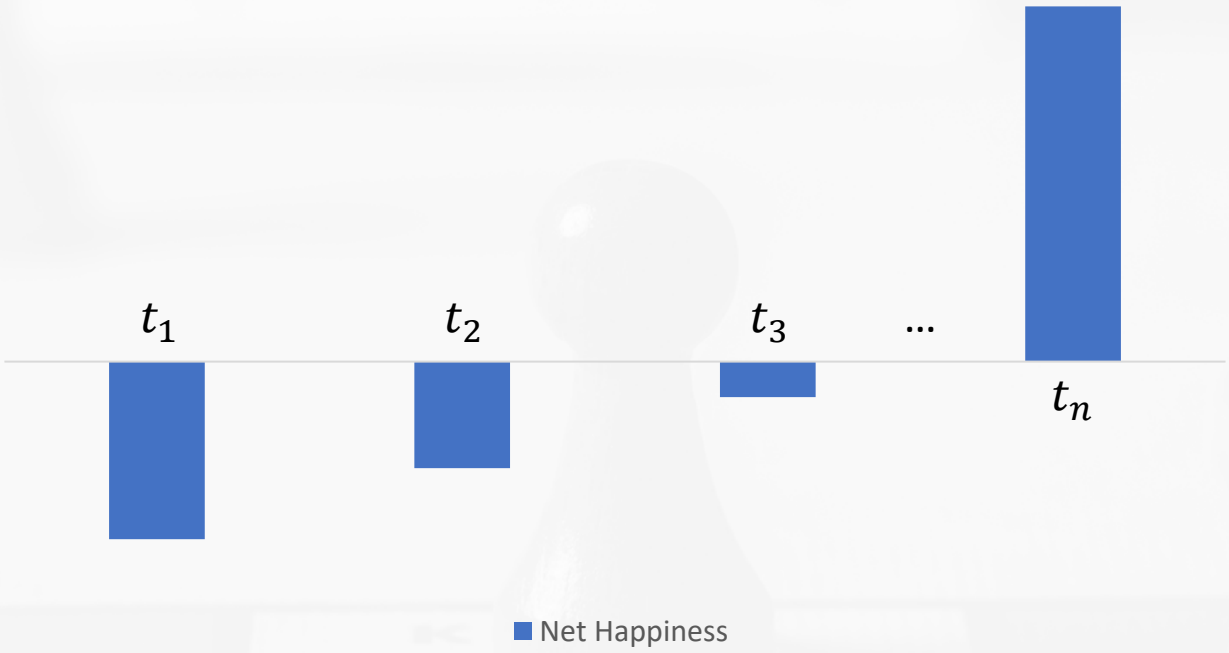
Net Present Value of Happiness?

$$NPV = \sum_{t=1}^{n} \frac{H_t}{(1+i)^t}$$

H_t	Net happiness during period t
i	Alternative happiness rate during period t
t	Total number of time periods

does this exist?

Net Present Value of Happiness



…that I could die…

A model is only ever as good as the inputs!

…didn’t account for risk…

…didn’t account for chance…

…or getting hit by a bus…

Sometimes a model can be overly complex!

$$\frac{\partial V}{\partial t} + \frac{1}{2}\sigma^2 S^2 \frac{\partial^2 V}{\partial S^2} = rV - rS\frac{\partial V}{\partial S}$$

don't worry, I'm not pivoting to talk about Black-Scholes!

Expected Net Present Value
(Risk Adjusted Net Present Value)

$$\boldsymbol{E}[NPV] = \sum_{t=1}^{n} p \frac{R_t}{(1+i)^t}$$

R_t	Net cash inflow minus outflow during period t
i	Discount rate or return of alternative investment during period t
t	Total number of time periods
p	Probability of scenario R_t at Discount rate i during time period t

Source: https://xplaind.com/993748/expected-npv *accessed on 4 Feb 2020*

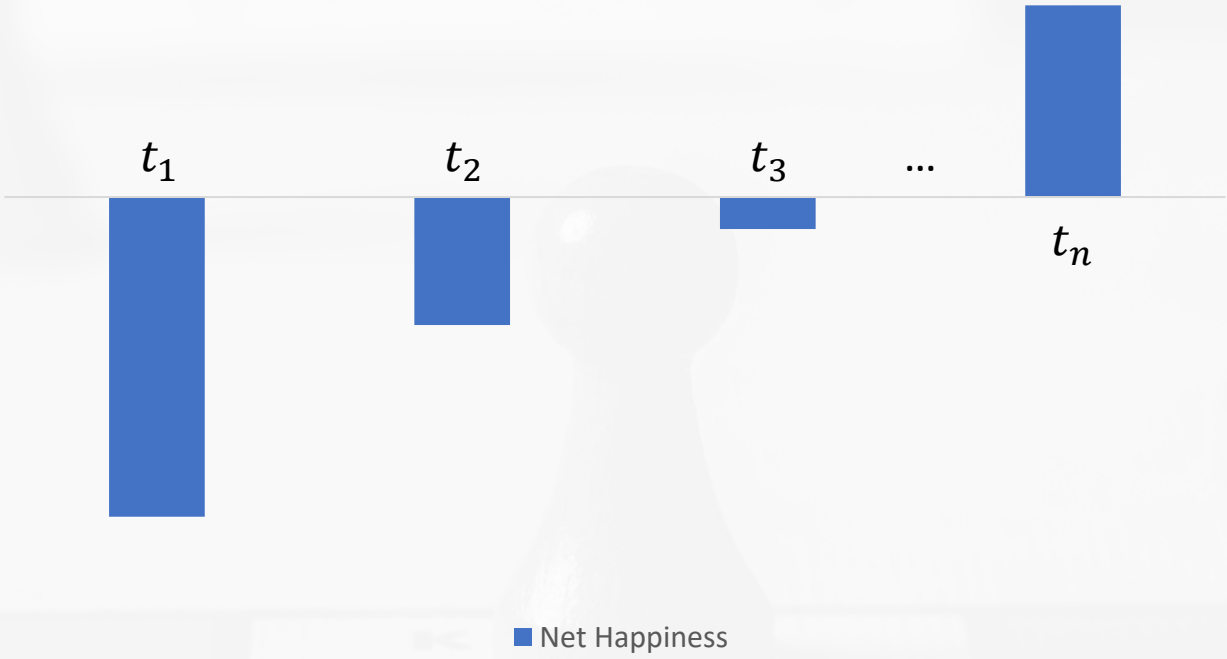
Expected Net Present Value of Happiness

$$\boldsymbol{E}[NPV] = \sum_{t=1}^{n} p \frac{H_t}{(1+i)^t}$$

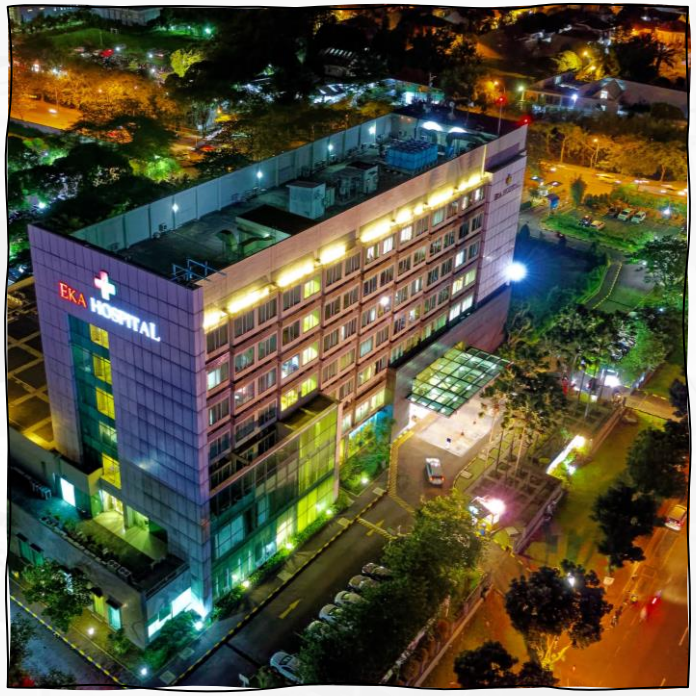
changes everything!

H_t	Net happiness during period t
i	Alternative happiness rate during period t
t	Total number of time periods
p	Probability of happiness H_t at Happiness rate i during time period t

Expected Net Present Value of Happiness



All you do by delaying your happiness is add risk!



You could end up never achieving that happiness!

Find your happiness in the present!

THANK YOU FOR ATTENDING

Contact the Business & Management Faculty

icaew.com/bam

✉ bam@icaew.com ☎ +44 (0)20 7920 8508

@ICAEW_BAM

Upcoming BAM webinars and events
icaew.com/bamevents