

Personal finance assignment

[Business](#)



Personal Finance BY Chelseys22 FIN1061 – Discussion Question – Number One – Chapters One and Two This is Discussion Question – Number One. This is the Week One Forum exercise. This exercise has a 20 point value.

Please pay attention to your submission deadlines posted in the Discussion Forum of BlackBoard 9. 1 Question 1: What is the “time value of money”?

Why is money paid or received in the future worth less than comparable amounts today? Does risk have anything to do with this? If so, what? (5 pts)

The value of time of money is the increase in an amount of money as result of interest earned.

Money paid or received today is worth more because it can be saved or invested and be more than money paid or received a year from now. You have risk in both sides. If you save your money and not be able to use it if you have an emergency. Or you risk not having money in the future if you don't save. You are at a catch twenty two. Question 2: A family spends \$40,000 on living expenses. With an annual inflation rate of 3 percent, they can expect to spend approximately in three years. (3 pts) A. \$40,300 B. \$41,200 . \$42,000 D. \$43,720 E. 46,000 Use your Future Value calculation

table. \$40,000 is your “principal” or present amount Question 3: The future value of \$1,000 deposited a year for 5 years earning 4 percent would be approximately B. \$5,250 c. \$5,400 D. \$6,500 E. \$8,200 (3 pts) A. \$5,000

This is an “annuity”. \$1,000 is your “payment”. Use the of an annuity table

Question 4: You are given the choice of \$4,000 in extra taxable income per year or a tax-exempt medical policy. The medical policy costs \$300 per month. Your tax rate is 25%. You should take the medical policy.

What factors did you consider? Compare the two after-tax values and think of the “ 25% rate”. (9 pts) The medical policy is comparable to a taxable benefit of \$400, but the taxable income after taxes would only be \$3000. Since if I would take the additional income then I would be paying taxes on the additional income and the medical policy. I would be smarter to take the tax-exempt medical policy. Taking the policy allows me to pay less in taxes and Gives me some money back since I will be in a lower tax bracket.