

NAME \_\_\_\_\_

## Project 4

Money, money, money! By now, you know this project is all about money - how to earn it and how to pay it back. For all three parts, all answers will be in the form of well-written paragraphs, typed with an appropriate font and appropriate margins. Tables can be used in all three parts, and also need to be typed. Payment schedules must be built using a spreadsheet. **Do NOT** **handwrite any thing in the typed portion.** Any other information you would like to include needs to be stapled behind your calculations. As always, inventiveness and creativeness are encouraged in the presentation of your work. This sheet must be stapled to the front of your project.

Description	Points Possible	Your Points	Comments
Part I			
All items completed and accurate	30		
Answers in paragraph form	10		
Creativeness and presentation	5		
Part II			
Answers and calculations correct	15		
Tables clearly labeled. Interest calculations included	10		
All entries correct	10		
Part III			
Information on each card correct	15		
Table for payoff correct for each card	10		
Monthly payment for payoff in one year correct each card	10		
Problem #3	5		
#7	5		
Total	125		

## Part I -

For each problem below, answer with complete sentences and organize your answer by constructing coherent paragraphs.

1. Throughout the media and in advertisements, references to the prime rate abound. Generally, what is the prime rate and how is it used? Who sets the prime rate? Specifically, what is the prime rate today?

2. In class, we have talked about one's individual "credit score". What is a credit score and how is it determined? What is it used for? List three major contributing factors to one's credit score. Determine your score (see [www.clarkhoward.com](http://www.clarkhoward.com) to find where you can calculate yours FOR FREE). Please do not list your score. List three things you can do to improve your score. List three things that hinder your score.

3. We studied one entire section on annuities. What is an IRA (include what the initials stand for)? Find three different types, and compare and contrast them. Things to look for are any limits on yearly deposits, how each of them are taxed, and what purpose they might serve. What are three advantages in using an IRA? What are three disadvantages?

4. How much money would you like to have at retirement? Find a rate from an IRA, and calculate how much your monthly savings payment must be to meet this goal. Are you surprised?

5. Do you have any beverage habits that cost you money every day? (I am personally addicted to chocolate milk from the vending machines on campus). If you do not have such vices, assume you drink a beverage purchased an espresso stand that costs \$3.75 five times a week. How much do you spend each week on your beverage? Per month?

6. Instead of purchasing your beverages, you place all the money into the IRA from #4. You make a monthly payment equal to your answer from #5 from now until you turn 65. How much money will you have saved?

7. Respond and reflect on what you have learned in #1 - 6 above. Use complete and coherent sentences, and formulate a well-thought out paragraph.

## Part II

1. The mean home price for Spokane County in 2003 was \$146,929 and the median home price was \$130,000. What is the difference between "mean" and "median"? Which measure of "average" is most meaningful to you and why?
2. Find the lowest rate you can for a 30-year fixed mortgage, a 20 year fixed mortgage, and a 15 year fixed mortgage. Assuming you purchase a home for the median home price above, use a spreadsheet, construct an amortization schedule for the length of the each loan. **Print off and include with your project the last 12 months of the schedule.** How much interest will you pay for each loan if you make all payments as scheduled? Which loan is "best"?
3. Your friend has heard that if you make one extra mortgage payment per year is beneficial in the long run. How do you respond to him? Construct a new amortization schedule for the 30-year loan, making the extra mortgage payment. How long will it take you to pay off the loan? How much interest will you pay? **Print off and include with your project the last 12 payments in the schedule.** Do you recommend making the extra mortgage payment? Be sure to support your answer.

## Part III

1. For this part, you are going to visit three websites and gather information from three different cards. For each card, look up the credit card terms and find the following:
  - ♣ Any introductory rate. What is it, and for how long is it in affect?
  - ♣ Balance transfer rate.
  - ♣ Cash advance fee and cash advance APR.
  - ♣ Is there a change in APR for late payments? List this APR.
  - ♣ Regular rate. Is it fixed or variable?
  - ♣ Is there an annual fee? If so, what is the amount?
  - ♣ Are there any "perks" with the card? If so, list the perks.

To present and compare the info on each card, constructing a table may be helpful.

Typically, this information is listed out in a nice table format. Look for a link labeled "terms and conditions" or something like that. You may need to scroll down and search for the information, as they do not always make it easy to find. **DO NOT APPLY FOR A CARD. YOU NEED NOT APPLY TO GET THE INFORMATION ABOVE.**

The three sites and cards you will look up are:

- ✓ [www.chase.com](http://www.chase.com) Pick any rewards card. Identify which one you have chosen.
- ✓ [www.discovercard.com](http://www.discovercard.com) Find info on the student card. Scroll down to the bottom and click on "View rates, fees, rewards and other important info" to find the information.

2. According to CardWeb.com, the average credit card debt per household (with at least one card) in 2002 was \$8940. For the Chase Rewards card only, construct a payment schedule with the monthly payment equaling the minimum payment. Determine how long it will take to pay off the balance, and calculate how much interest will be paid. **ROUND YOUR ANSWER TO THE NEAREST MONTH.** Assume no late payments, no more charges are made to the account, and minimum payment is 3% of outstanding balance OR \$10, whichever is greater. For the student Discover card, pretend you have been late making more than one payment in a row (and adjust the APR appropriately). **Include in your project the last 12 payments for each card.**

3. Recalculate the Chase rewards card, this time doubling the minimum payment to 6%. How long does it take to pay off the balance? How much interest is paid? Compare this to the example in #2.

4. Now suppose you would like to pay off the balance in one year. For each card in #2, calculate the monthly payment and calculate the total interest paid. You will need to use the formula for finding the monthly payment for an amortized loan, with the principal being the outstanding balance on the account. Are you surprised? Construct and include a table as you did for #2.

5. Respond and reflect on what you have learned in #1 - 4 above. Use complete and coherent sentences, and formulate a well-thought out paragraph.

