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## University of Ontario Institute of Technology

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Faculty of Business & IT

Finance Area

Personal Finance: BUSI 3430-001/ BUSI 3430-002

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Individual Assignment II—out of **90 points**

Due date: Thursday November 14, 2019

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### Administrative instructions

- Please do not write your student number anywhere on the submitted assignment.
- Number all pages consecutively *except* the title page.
- Title page: The title page should contain the assignment number, name, and your e-mail address.
- All assignments must be typed. Hand written assignments will not be accepted under any circumstances.
- Academic integrity must be upheld.
- Text format:
  - o Line Spacing: Single space.
  - o Paper: Letter size (8.5 inch width and 11 inch height).
  - o Font: Times New Roman (12 pts)
  - o Margins: 1 inch left and right; 1-inch top and bottom.
  - o Page numbering: Bottom center
- If, you are not able to personally hand in your assignment make arrangement for a classmate to hand it for you. Do not upload or email it.

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### I. Chapter 4.

#### **Problem 1.** [8 pts].

Mike Malkova had a total income for the year of \$165,000. During the year, he contributed \$35,000 to an RRSP, \$1,450 toward union dues, and \$40,000 toward child support based on written agreement established in 2006, and \$3,000 fees for certain investment advice. Calculate his taxable income for the year. (Show your calculations)

#### **Problem 2.** [14 pts].

- A. Angel D. has a marginal tax rate of 30%. She realizes that she neglected to include a \$3,000 tax deduction. If she includes this \$3,000 tax deduction on her tax return, how will this affect her taxes? (Show your calculations) (8 pts).
- B. If she had forgotten a \$3,000 tax credits (i.e., children's arts amount and adoption expenses), instead of a \$3,000 tax deduction, how would her taxes be affected if she were to include these tax credits on her tax return? (Show your calculations) (6pts). [assume the year 2017]

#### **Problem 3.** [6 pts]

Adriana Lima opened a tax-free savings account (self-directed TFSA account) in 2014. She contributed \$4,500 to the account in that year. In January 2016, Adriana withdrew \$2,500. At the end of 2016, she contributed another \$3,500 to her TFSA. What is Adriana's unused TFSA contribution room at the beginning of 2017? Adriana turned 18 in 2012. (Show your calculations)

## II. Chapter 5.

### **Problem 4.** [5 pts]

Lizzy Caplan deposits \$1,000 in a three year GIC with five percent interest compounded annually. How much interest would she earn by maturity? (Show your calculations)

### **Problem 5.** [8 pts]

Haruki Yadav has \$2,000 that he wishes to invest for the next two years. One-year GICs are currently paying eight percent while two-year GICs are paying 12 percent compounded annually. Economists are predicting *that interest rates will rise* by the end of the year. What is *the minimum* interest rate Haruki would need in year two, to make the one-year GIC better than the two-year GIC? (Show your calculations)

### **Problem 6.** [5 pts]

Chika Wilson is deciding between two banks for her chequing account. Yuman Bank requires a minimum deposit of \$100, charges a monthly fee of eight dollars, plus \$0.50 per cheque. Okihoma Bank also requires a minimum deposit of \$100, charges no monthly fee, but charges \$1.00 per cheque. How many cheques would Chika need to write each month to make Yuman Bank *less expensive* to use than Okihoma Bank? (Show your calculations)

## III. Chapter 6.

### **Problem 7.** [6 pts]

A credit card charges 18 percent annual interest and Jacqueline Zumba has \$750 due on the statement date. She is only able to make the minimum payment of \$22.50. If the billing cycle is 30 days and the grace period is 20 days, and she pays the full balance at the next due date, how much interest would she owe? (Show your calculations)

### **Problem 8.** [5 pts]

Taylor Hill purchased her condo for \$550,000 and now the appraised value is \$460,000. Her outstanding mortgage is \$258,000. What is the maximum home equity line of credit (HELOC) Taylor would qualify for? (Show your calculations)

## IV. Chapter 7.

### **Problem 9.** [5 pts]

Emily DiDonato has found a fixed rate mortgage for \$300,000 at six percent interest amortized over 30 years. Her payment will be \$1784 per month. How much would her payment be if she wanted to amortize the mortgage over 15 years? (Show your calculations)

### **Problem 10.** [8 pts]

Sota and Akane are attempting to qualify for total mortgage financing of \$1486, heating costs of \$68, and they have a car loan payment of \$346. What *minimum* gross monthly income will they need to qualify for *both* GDS ratio of 32 percent and TDS ratio of 40 percent? (Show your calculations)

## V. Chapters 8/9.

### **Problem 11.** [9 pts]

Lil Jon currently pays \$1,000 per month for car insurance. When the time arrives to renew his policy, his insurance agent informs him that he could save an additional 25% in premium costs if he had a saliva-testing device (for testing drivers' saliva for cannabis) installed in his car. If the cost of the device is \$2,500.0 with taxes, what would his net savings be for the year, assuming an annual interest rate of 2.0% after tax? (Show your calculations)

### **Problem 12.** [5 pts]

You have cash value coverage for your personal property on your homeowner's policy. Your camera cost \$3,000 eight years ago had a life expectancy of 10 years. The camera was stolen, and a new one will cost \$1,500. How much will the insurance company pay? (Show your calculations)

### **Problem 13.** [6 pts]

- A. Your home insurance policy has a \$500 deductible and provides cash value coverage on contents. If your home is over 25 years old and a small fire causes \$6000 damage to it, what amount of the claim would the insurance company pay? (Show your calculations) (3pts)
- B. Akika Takahashi has no dependents, an annual income of \$75,000, and debt of \$100,000. How much insurance should she buy using the income method and a factor of 10? (Show your calculations) (3pts)

Make sure to replicate the following table and place it at the end of your document.

|              | MAXIMUM TOTAL<br>MARKS | MARKS AWARDED                                |
|--------------|------------------------|----------------------------------------------|
| Problem 1    | 8                      |                                              |
| Problem 2    | 14                     |                                              |
| Problem 3    | 6                      |                                              |
| Problem 4    | 5                      |                                              |
| Problem 5    | 8                      |                                              |
| Problem 6    | 5                      |                                              |
| Problem 7    | 6                      |                                              |
| Problem 8    | 5                      |                                              |
| Problem 9    | 5                      |                                              |
| Problem 10   | 8                      |                                              |
| Problem 11   | 9                      |                                              |
| Problem 12   | 5                      |                                              |
| Problem 13   | 6                      |                                              |
| <b>TOTAL</b> | <b>90</b>              | <u>          </u> / 90 = <u>          </u> % |