1. Match the definitions
* mortgage loan insurance - variable interest rate - mortgage term
* amortization period - mortgage

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| It is a type of loan used to buy a home or other property |  |
| If your down payment is less than 20%, you have to buy |  |
| It is the length of time that the mortgage agreement at your agreed interest rate is in effect |  |
| It is the length of time it will take to fully pay off the amount of the mortgage loan |  |
| The interest rate can change during the mortgage term |  |

1. Below is a list of expenses associated to buying and/or renting a home. For each expense, identify each expense:
* only someone purchasing a property would pay (**P**),
* or only a renter would pay (**R**),
* or both purchasers and renters may pay (**B**)

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| Down Payment | Insurance | Legal Fees |
| Home Inspection | Moving Costs | Appliances |
| Mortgage Payments | Furnishings | Utilities (water, heat, hydro) |
| Land Transfer Tax | Property Taxes | Landscaping |
| Repairs & Maintenance | Painting | Renovations |
| Cable, Phone, Internet | Security System | Condo Fees |
| Security Deposit | Parking | Cleaning |

1. Convert the following non-monthly expenses to ***MONTHLY*** expenses:
* Bi-weekly mortgage payment of $771

* Annual property taxes of $3588
* Semi-monthly house insurance of $42
* Gas/hydro bill of $531 every three months
* Quarterly Water/Sewer bill of $75 (equal billing)
* Annual Monthly Internet/Cable bill of $1320
* Weekly laundry expense of $12
1. This pie chart shows Bella’s expenses for one month. Bella spent $2500 in one month for all of her expenses.

a) How much did she spend on housing and utilities?

b) How much did she spend on food and clothing?

c) How much did she spend on her top two expenses combined?

1. Ethan has just gotten a job as a carpenter. He estimates his annual income will be $52000; however, his deductions are 35% of his salary.
* He is currently living at home, but wants to know if he can afford to move out on his own. He has found a furnished bachelor’s apartment that would cost $1500 every month, utilities included.
* He estimates he will spend $200 on food and $100 on phone and cable every month.
* He will have to do laundry every week at a nearby laundromat that costs $12 weekly.
* His transportation costs are currently $3600 for the year, and will stay the same in his new place.
* He wants to save $6,000 by the end of one year.

a) Calculate his net income for one month (NET INCOME = ANNUAL INCOME – TOTAL DEDUCTIONS)

b) Convert non-monthly costs to monthly costs.

c) Are there expenses that you think Ethan has forgotten to include? Explain.

d) Prepare a personal monthly budget for Ethan, and determine whether Ethan can afford to move out.

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| **INCOME** |
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| **Total Monthly Income** |  |
| **EXPENSES** |
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|  |  |
|  |  |
| **Total Monthly Expenses** |  |
| **INCOME – EXPENSES** |  |

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| --- | --- |
| ***RECALL: FUTURE VALUE****Use to find the value* ***at the end of an annuity*** *(after all deposits are made & interest is accrued)*  | ***RECALL: PRESENT VALUE****Use to find the money needed* ***at the beginning of an annuity*** *to provide regular annuity payments*  |

1. Charlie deposits $500 every 3 months into his daughter’s RESP (Registered Education Savings Plan) . If the account earns 6% / a, compounded quarterly, how much will be in the account after 10 years?

1. Mikayla is setting up an income fund for her retirement. She wishes to receive $3000 every month for the next 25 years, starting 1 month from now. The income fund pays 4.8% per year compounded monthly. How much must Mikayla deposit now to be able to receive the desired amount every month?
2. Bilal receives a quarterly bonus of $500 which he deposits into a savings account that pays him 4.8% interest compounded quarterly. How much will he have saved after 5 years?
3. During her third year of post-secondary education, Angela moves back in with her parents and agrees to pay $150 per week for rent. If her bank account has an interest rate of only 2.08% per year compounded weekly, and she plans to stay for 2 years, how much money must Angela have in her account before moving in? Assume she does not earn any other income during the 2 years.
4. Katelyn wants to save up for a $30,000 down payment If she wants to have this money in 2 years, how much must she deposit every month into an account that makes 3.72% per year interest compounded monthly, to reach her goal?
5. Niloufar borrows now $20,000 to buy a vehicle. She will repay the loan in equal monthly payments over 5 years, starting 1 month from now. She is charged interest at 6% per year compounded monthly. How much is Niloufar’s monthly payment?
6. Bella wants to save $8000 for a trip she plans to take in 3 years. What **regular deposits** should she make at the end of every 6 months into an account that earns 6% per year compounded semi-annually?