Jenny just married Tim. Jenny remains to work as a cashier for a restaurant, and her monthly income has averaged $2,840 a month over the past year. Tim is working as a computer programmer and earns $3,000 a month. Their shared monthly income let them to live comfortably. Yet they have been unable to save any money for urgent situation.

According to Tim, "It's hard to believe, but we don't even have a savings account because we spend almost everything we make." Every month, they deposit each of their paychecks in separate checking accounts. Tim pays the rent and makes the car payment. Pam buys the groceries and pays the utilities. They use the money left over to purchase new clothes and the other "necessities" for enjoying life.

In an effort to make wise use of credit, the Turner have examined various sources that could serve their current and future financial needs. In the assessment process, they compared the APR along with various fees and potential charges.

Tim and Jenny are also learning about various actions that might be useful if they encounter credit troubles. Their discussions with friends and money management advisers provided expanded knowledge of credit counseling and bankruptcy alternatives.

|  |  |  |
| --- | --- | --- |
| **Life Situation** | **Financial Data** | |
| Recently Married Pam, 26 Josh, 28 Renting an Apartment | Monthly income | $5,840 |
| Living expenses | $3,900 |
| Assets | $13,500 |
| Liabilities | $4,800 |
| Emergency fund | $1,000 |

Q1. What is the minimum amount that the Turner should have in an emergency fund? What actions might be taken to increase the amount in this fund?

1. Lucy lacks cash to pay for a $720 dishwasher. She could buy it from the store on credit by making 12 monthly payments of $65. The total cost would then be $780. Instead, Lucy decides to deposit $60 a month in the bank until she has saved enough money to pay cash for the dishwasher. One year later, she has saved $770.40—$720 in deposits plus interest. When she goes back to the store, she finds the dishwasher now costs $849.60. Its price has gone up 18 percent, the current rate of inflation.

From the financial standpoint, was postponing her purchase a good trade-off for Lucy?

Yes \_\_\_

No \_\_\_

1. Malou is trying to decide whether she can afford a loan she needs in order to go to chiropractic school. Right now Malou is living at home and works in a shoe store, earning a gross income of $3250 per month. Her employer deducts a total of $150 for taxes from her monthly pay. Malou also pays $100 on credit card debt each month. The loan she needs for chiropractic school will cost an additional $140 per month.

Calculate her debt payments-to-income ratio without college loan.  Remember to convert your answer to a percentage!

Make sure to include zeros and the period in your answer.

Round your answer to 2 decimal places. i.e. 16.55, 12.32

Your Answer: \_\_\_\_\_\_

1. Sally is trying to decide whether she can afford a loan she needs in order to go to chiropractic school. Right now Sally is living at home and works in a shoe store, earning a gross income of $2990 per month. Her employer deducts a total of $200 for taxes from her monthly pay. Sally also pays $100 on credit card debt each month. The loan she needs for chiropractic school will cost an additional $100 per month.

Calculate her debt payments-to-income ratio with college loan. Don't forget to convert your answer to a percentage.

Make sure to include zeros and the period in your answer.

Round your answer to 2 decimal places. i.e. 20.12, 31.89

Your Answer: \_\_\_\_\_\_\_\_

1. A few years ago, Josh purchased a home for $137000. Today the home is worth $158000. His remaining mortgage balance is $57000.

Assuming Josh can borrow up to 76 percent of the market value of his home, what is the maximum amount he can borrow?

Round your answer to the nearest whole number.

Your Answer: \_\_\_\_\_\_\_\_\_\_

1. What would be the net annual cost of the following checking account?

Monthly fee : $11.55

Processing fee: $0.64 per check

Checks written: Average of 78 a month

Round your answer to the nearest whole number.

Your Answer:\_\_\_\_\_\_\_