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| Details: | Bernie and Pam Britten are a young married couple beginning careers and establishing a household. They will each make about $50,000 next year and will have accumulated about $40,000 to invest. They now rent an apartment but are considering purchasing a condominium for $100,000. If they do, a down payment of $10,000 will be required.They have discussed their situation with Lew McCarthy, an investment advisor and personal friend, and he has recommended the following investments: * The condominium - expected annual increase in market value = 2%.
* Municipal bonds - expected annual yield = 3%.
* High-yield corporate stocks - expected dividend yield = 5%.
* Savings account in a commercial bank-expected annual yield = 1%.
* High-growth common stocks - expected annual increase in market value = 6%; expected dividend yield = 0.
1. Calculate the after-tax yields on the foregoing investments, assuming the Brittens have a 28% marginal tax rate (based on Public Law 108-27, The Jobs and Growth Tax Relief Reconciliation Act of 2003).
2. How would you recommend the Brittens invest their $40,000? Explain your answer.

SHOW ALL WORK FOR EACH ASSIGNMENT AND EXPLAIN EACH STEP CAREFULLY. |