

QUESTION 1

Tim's salary is \$40,000 a year. This is his gross yearly salary; his salary before taxes is deducted. What is his gross monthly income?

0.5 points[Save Answer](#)**QUESTION 2**

Suppose 25% of his salary is taken out for taxes. How much tax does Tim pay each month?

0.5 points[Save Answer](#)**QUESTION 3**

Compute Tim's monthly take-home pay. This is his net pay; the actual amount available to Tim from his paycheck.

0.5 points[Save Answer](#)**QUESTION 4**

This requires the monthly payment formula: $\frac{Amt \times R(1 + R)^t}{(1 + R)^t - 1}$ where $R = APR/12$.

He finds a house for \$135,000. Tim can afford a down-payment of \$10,000.

What is the size of the mortgage he needs to obtain from the bank to purchase his house?

0.5 points[Save Answer](#)

QUESTION 5

1 points [Save Answer](#)

If Tim has good credit, he will be able to finance the mortgage amount at 5%, compounded monthly for 30 years. How much will his monthly mortgage payment be?

QUESTION 6

1 points [Save Answer](#)

The bank also offers a different scenario: finance the mortgage amount at 4.375%, compounded monthly for 15 years. How much will his monthly mortgage payment be?

QUESTION 7

1 points [Save Answer](#)

If Tim does not have good credit, he will be able to finance the mortgage amount at 7%, compounded monthly for 30 years. How much will his monthly mortgage payment be?

QUESTION 8

1 points [Save Answer](#)

The bank offers a different scenario where he finances the mortgage amount at 6.5%, compounded monthly for 15 years. How much will his monthly mortgage payment be?

QUESTION 9**0.5 points** [Save Answer](#)

Tim does not have good credit, so he decides to go with 30 year loan. How much will his monthly mortgage payment be?

QUESTION 10**0.5 points** [Save Answer](#)

Property taxes are \$3025 a year. The bank will spread this amount over 12 months and include it into your monthly mortgage payment. This is called ESCROW. How much is Tim's escrow payment?

QUESTION 11**0.5 points** [Save Answer](#)

Now that you bought your own home, you need to protect it. You purchase homeowner's insurance, which is a yearly charge of \$325. You budget for monthly payments. How much is your monthly homeowner's payment?

QUESTION 12**0.5 points** [Save Answer](#)

Water, electricity, trash pickup, and natural gas are other expenses that cost additional money each month. Tim spends \$30 per month for water and trash, \$60 per month for electricity, and \$44 per month for natural gas. How much does he spend total for these utilities?

QUESTION 13**0.5 points** Save Answer

Tim's cell phone bill is \$55 a month. TV service and internet cost \$90 a month. How much does he pay for these services?

QUESTION 14**1 points** Save Answer

A general rule for savings is you should save at least 8% of your take-home income. Tim decides to save 5% of his take-home income. How much is he putting towards his savings each month?

QUESTION 15**0.5 points** Save Answer

Another rule of thumb is you should have at least 3 months worth of your take-home income in your savings in case you lose your job or an emergency occurs. How much is 3 months worth of take-home income?

QUESTION 16**0.5 points** Save Answer

Let's not forget about food. After a month of tracking his food spending, he finds he spends \$75 on restaurants and \$180 on groceries.

QUESTION 17**1 points** Save Answer

Tim borrows \$5,000 to buy a car and have it paid off in 6 years. Since he does not have good credit, he finances the car at 4.5%. What is his monthly car payment?

QUESTION 18

0.5 points Save Answer

Now that you have a car, you have to purchase car insurance. You buy a policy that costs \$800 per year. You pay your insurance bill monthly. What is his monthly car insurance payment?

QUESTION 19

0.5 points Save Answer

You can't drive your car without purchasing gas. After tracking a month's worth of spending, Tim finds he spends \$100 a month in gas. Tim finds he spends \$60 a month on new cloths and \$80 a month on entertainment. What is his monthly cost for these items?

QUESTION 20

0.5 points Save Answer

Tim also has some credit debt. He currently spends \$75 per month on his credit cards. After graduating from college, Tim started paying back his student loans. His monthly student loan payment is \$105 per month.

QUESTION 21

5 points [Save Answer](#)

Monthly Budget Flow Chart

Income	
Job	<input type="text"/>
Taxes (reduces income)	- <input type="text"/>
Total Income	<input type="text"/>

Monthly Budget Summary	
Total Income	<input type="text"/>
Total Expenses	<input type="text"/>
Net	<input type="text"/>

Home Expenses	
Mortgage	<input type="text"/>
Escrow	<input type="text"/>
Homeowner's Insurance	<input type="text"/>
Electricity	<input type="text"/>
Gas/Oil	<input type="text"/>

Daily Living	
Groceries	<input type="text"/>
Clothing	<input type="text"/>
Dining/Eating out	<input type="text"/>
Entertainment	<input type="text"/>
Total Living Expenses	<input type="text"/>

Water/Trash	<input type="text"/>
Phone	<input type="text"/>
Cable / Internet	<input type="text"/>
Total Home Expenses	<input type="text"/>

Transportation	
Car Payment	<input type="text"/>
Car Insurance	<input type="text"/>
Fuel	<input type="text"/>
Total Transportation	<input type="text"/>

Savings	
Transfer to Savings	<input type="text"/>
Total Savings	<input type="text"/>

Obligations	
School Loans	<input type="text"/>
Credit Cards	<input type="text"/>
Total Obligations	<input type="text"/>

QUESTION 22**1 points** Save Answer

You need to use <http://www.math.niu.edu/courses/math101/current/loan.html>.

Regarding Tim's mortgage: If Tim pays his monthly mortgage payment for the entire 30 years, how much does Tim pay in interest?

QUESTION 23**1 points** Save Answer

Suppose Tim takes \$45 from his available income after expenses (from Question 21) and adds that amount to his mortgage payment every month. Assuming this is the amount he will apply to every mortgage payment, how much money does he save in interest?

QUESTION 24**1 points** Save Answer

How does this extra amount affect the length of the loan? i.e. How many months are taken off the length of the loan?

QUESTION 25

2 points Save Answer

Is Time in a good position financially? Explain your reasoning.

Rich text editor toolbar with options for Paragraph, Arial, 3 (12pt), and various text formatting tools. The editor area is currently empty.

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QUESTION 26

2 points Save Answer

After answering these questions, write a reflection on what you have learned (investigated). You may also reflect on your own finances. Some of you may have other expenses that were not included here, such as pets, children, subscriptions, medicine, health bills, etc.

Rich text editor toolbar with options for Paragraph, Arial, 3 (12pt), and various text formatting tools. The editor area is currently empty.

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