




REFLECT ON YOUR LEARNING **Ready for the test???**

FINANCIAL SERVICES

Now that you have finished this chapter you should be able to:

- describe banking options and discuss their advantages and disadvantages;
 - solve simple interest problems;
 - solve compound interest problems;
 - use the Rule of 72 to estimate the time needed for an investment to double;
 - describe different credit options, including bank and store credit cards, personal loans, lines of credit, and overdrafts;
 - solve problems that involve credit cards;
 - solve problems that involve loans;
 - solve problems that involve sales promotions; and
 - make informed decisions related to the use of credit.
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Review Questions...

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Review Questions...

10. Marco has found his dream motorcycle at a dealership in Moncton, NB. The dealer will sell it for \$16 450.00 cash or for \$470.00 a month for 3 years with a down payment of \$1000.00. Marco can get a loan from his bank at 7.00% for 2 years. He cannot afford to pay the whole amount in cash, but he does have \$1000.00 in savings. He is considering his payment options.

Option 1: Take the dealer's offer of \$470.00 a month with \$1000.00 down payment.

Option 2: Borrow \$15 450.00 from the bank, add it to his \$1000.00 savings, and pay the dealer in cash. His monthly payment to the bank will be \$691.85.

Option 3: Borrow \$16 450.00 from the bank, pay the dealer in cash, and keep his \$1000.00 in savings. His monthly payment to the bank will be \$736.63.

Marco creates a chart to help him decide which option is best.

	Cash	Monthly payment (\$)	Total paid for the loan (\$)	Total paid for the motorcycle (\$)
Option 1	\$1000.00	\$470	$470 \times 12 \times 3 = 16920$	\$ 17920
Option 2	\$1000.00	691.85	$691.85 \times 24 = 16604.40$	\$ 17604.40
Option 3	0	736.63	$736.63 \times 24 = 17679.12$	\$ 17679.12

Complete the table. Discuss the advantages and disadvantages of each option. Which option would you choose? Explain your choice.

Attachments

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Chapter 3 Sample Test.pdf

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