

FN221: Assignment#3

1. Amortization is the method of paying off debt for certain period of time. Debtors will pay equally amount to creditors in every period. The amount pay are a goal of principal and interest. Down payment affect amortization y decreasing the total amount of debt in initial stage, so it will effect the amount pay in each period. Loan duration will affect amount of total interest pay and amount of placement in each period. With longer loan duration, the debtor bare less burden in each period. However, longer loan duration may lead to higher total interest amount.

2. Health insurance are importance in the sense that you don't know when accident may happen or you may need to see a doctor, the insurance will help you to get an affordable price treatment at a time of needs. The insurance will protect you from paying large amount of money. On the other hands, disability insurance is about secure your income. What if one day you are in accident and don't have income anymore? Disability insurance will help eliminate the risk.

3. Life insurance is a protection against the loss of income that is caused by insured passed away. The name under beneficiary receives the proceeds and protected from the impact of the death of the insured.

4. If the Martin had allocated their asset by invest in several ways;both in low risk asset such as fixed account, government bonds or land and high risk asset; stock. They might not encountered major losses when economic turndown occurred. Since there is a diversification in their portfolio. With investment in land, they can turn land into cash anytime. Moreover, land is an asset with rapid increase in value over time. Government Bonds are low risk asset, they are guarantee by government.

By investing all of their extra money in high-tech stocks create high risk for their financial situation. Because several reason. One, stocks is a high risk asset. Two, there is no diversification, once the company make loss, you loss everything.