

1. Explain what amortization is and how a down payment and loan duration impact it.

Amortization is a process of paying off of debt over a period of time with an interest costs and fixed principal. Because the balance is reducing, the interest payment will declining in each period which make larger principal payment. Down payment have impact on amortization as the bigger down payment, the smaller amount of loan payments. Therefore, the amount of payment will be lower in each period. Loan duration tells that how long of the loan and how much amortization. If the loan duration is short means the payment is high.

2. What is the importance of health insurance and disability insurance in personal financial planning?

Health insurance and disability insurance are the program that cover medical fee to individuals who become unexpected injured or disabled which occurred unexpected cost. It is important to lots of workers If they have both insurance in personal financial planning because they don't have to pay full amount of medical fee which might be too high.

3. What is life insurance? What is its purpose and principle?

Life insurance in the contract between insured and insurance company which people have to pay premium payment. When insured is dead or the contract expired, the insurer have to pay lump-sum payment. There are many reasons why people have life insurance. It's could support financial situation and standard of living of people's dependents after he die, provide education or income to children. It could support financial in case of permanent disability which can't work anymore. Moreover, person could get return of saving without any risk

4. Joe and Jane are both 35 years old. Although they graduated from college almost 15 years ago, they have never developed a diversified investment program. What extra money they had was invested in high-tech stocks that did quite well. Then, with the economic downturn, they encountered major losses. How could asset allocation have reduced the dollar amounts of the Joe's and Jane's losses?

If both Joe and Jane do asset allocation, they might not be losses as much as they don't. Having several sectors of investment could reduce risk of having one. Asset allocation provides a quite well result in long term despite of losing some asset in short term. They also can set the percentage or proportion of their investment to avoid some risk.