

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

Amortization is the paying off of debt with a fixed repayment schedule in regular installments over a period of time for example with a mortgage or a car loan. A down payment will cause the amount of money individual has to ask for a loan to decrease together with causing the payments and the loan period to be less.

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

Both insurances are consider to be important to personal financial planning because we are reduce our risk through the purchase of insurance with fixed expenses. When we face with illness or disability we can have the assign benefit and face fewer financial problem. In this case, Health insurance will covers the cost of an insured individual's expenses related to their health. It's coverage depend on the type of health insurance for example, Hospital expense insurance that will pays part of all of the amount of hospital bills for room, board and other charges. Where Disability insurance offers income protection to individuals who become disabled for a particular period of time, and as a result can no longer work during that time period. In other word, Our financial goal may be harder to achieve if we don't have insurance that is when we have emerging unexpected expenses related to health. So, health insurance and disability insurance will protect us from this problem.

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

Life insurance is an insurance that provides compensation to the beneficiaries when an insured individual's die. It will transfer the economic loss of death from individual to insurance company. It's purpose are 1.Estate planning when individual need to pass assets to heirs. 2.Guaranteed insurability that gives a sense of control and responsibility to family. 3.Retirement planning which gives special tax advantages and 4.Forced Saving for emergency, collateral, and retirement. In case of its principal, life insurance policies operate on the principle of the law of large numbers. Insurance companies must use a large sample size of the population to predict death rates then calculate the rates and coverage amount of insurance.

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?

As Joe and Jane only invest in stocks where their extra money only rely on this. Therefore, when there is an economic downturn they will face losses. With asset allocation, it reduces their overall risk, and hence give theirs portfolio a chance to earn higher returns and even if one category fails to perform, the rest will make up for it. They can achieve asset allocation in their portfolio by investing in various types of equity and debt instruments.