

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

Amortization is a kind of regular installment or spreading out of capital expenses, which is considered as the paying off of debt with a fixed repayment schedule over a period of time, however, the amount of the payment stays constant, the portion of the payment that is principal or interest will change. At the end of the loan term, all principal and all interest will be repaid. People are most likely to encounter amortization with a mortgage or car loan.

For the reason why a down payment and loan duration impact it, because a down payment will decrease the amount of money a consumer is asked for in a loan hence causing less both payments and the loan period. Moreover, loan duration is also important for amortization, because it makes you recognize how long to pay off the loan. The more payments you make that are higher than the minimum set payment amount, the shorter loan duration will be.

2) Importance of health insurance and life insurance in personal financing plan

First, we will talk about the importance of health insurance in personal financing plan. Health insurance is an insurance which work as hedged the risk against the probability that if and when someone unexpectedly becomes sick, requires expensive treatments, or is at the mercy of a chronic condition that requires long-term care they will not fall into dire financial straits. It works well to relieve the financial burden of the expenses on health.

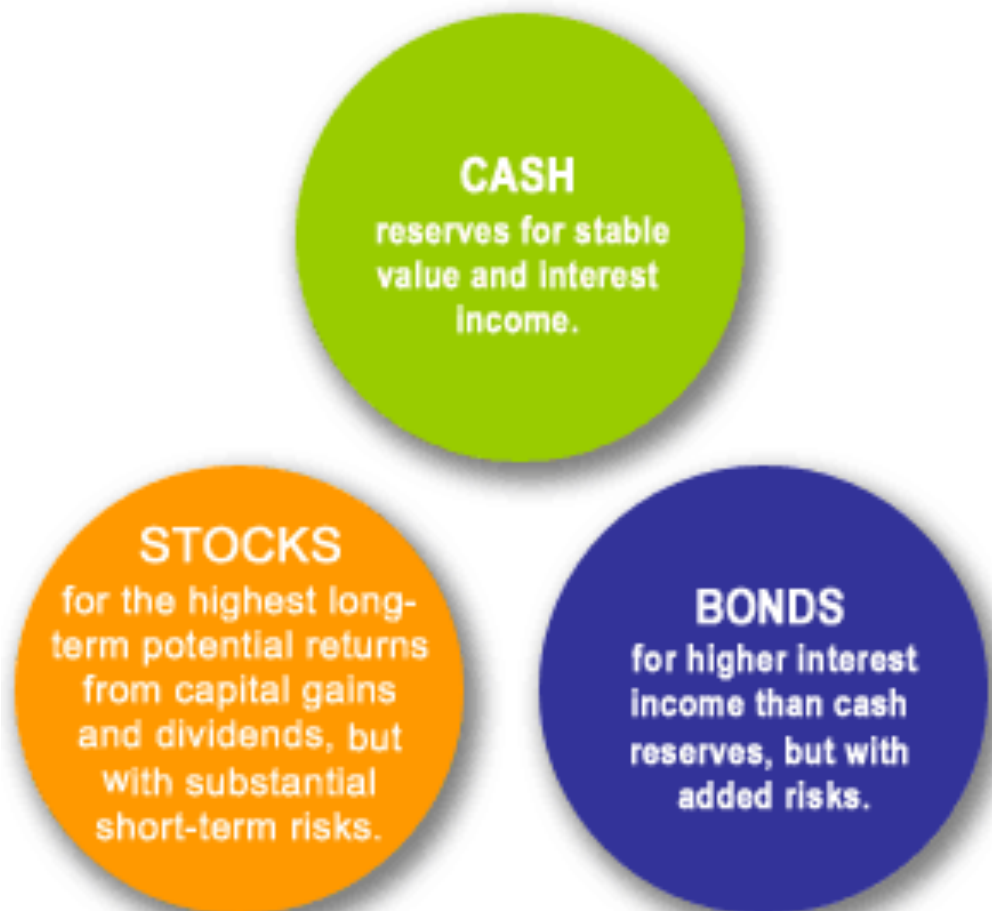
Next the disability insurance, it is one of the most important insurance in a personal financing plan. The purpose of insurance is to protect your income when you are disabled and unable to work. For recommendation, the insurance should generally be a non-cancelable policy with benefits for life, or at least to age 65, and as much salary coverage as you can afford. Insurers will generally cover up to 65% of your salary. Generally, you should have total coverage equal to two-thirds of your current pre-tax income.

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

Life insurance is a insurance plan that pays out a sum of money when the person insured pass away or at the end of the term period. Mainly life insurance is for person that has someone depending on his or her income, so if something happen those people will be able to survive or adjust themselves for some period of time. In conclusion the purpose is for the investor save money or ensure the needed amount of money will be there if something unexpected happen.

The principle is the amount that how much the investor value the insured person life the higher mean the investor need more compensation for the lost of the insured person life.

4. Jane and Bob 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 until the last five years. Then, with the economic downturn, they encountered major losses. How could asset allocation have reduced the dollar amounts of the Bob's losses?



Source: Greekshares.com

An asset allocation can be named as diversification, an important strategy for reducing portfolio risk. Bob could avoid reducing his dollar amounts losses by owning different types of investment instruments such as bonds, cash stocks and so on which helps reduce the chance that the portfolio will be affected by a particular risk. Yet, there is still the systematic risk that cannot avoid. Second, He is better consider time horizon which is the expected period of time that investors decide to achieve their financial goals. Investors with longer time horizon will be more comfortable when taking a riskier investment because they can wait for the economic cycle revived. Third, the asset allocation decision should be based on investor's risk tolerance that is the ability and willingness to lose some of original investment in

exchange for greater potential returns. Investor with a high-risk tolerance is willing to lose money in order to have better results; an aggressive investor. A conservative investor, with low-risk tolerance, will preserve his or her original investment. Next benefit of asset allocation is adjusting the portfolio's risk over time. The portfolio's risk is gradually adjusted by changing allocations for different investments that investor holds for any change in situation. Lastly, asset allocation helps investor have a big picture and a frame for investment decision. This strategy will prevent investor from investing in asset that will not help accomplish the financial goal but help choose the right path of the investing style.