

Individual assignment

1) Discuss one Insurance product and comment on its benefits



Premium payment
period 7 years



Term of coverage
Until age 90



Mode of premium
Annually semi-annual
quarterly monthly



Health check
Refer to company's
guideline



Rider attachment
Refer to compa-
ny's guideline

Payment/Benefit



From what i try to looking for a insurance that is suitable with my preference, i am interested in Muang Thai rub sub talodcheep 90/7. This is due to i only pay 7 years premium if i buy the insurance, but i can get a very long coverage until i am 90. It's mean that the lower age you are the more benefit you will get for buying this insurance. As i am going to 21 next year, paying the premium for 7 years , then it will cover me for more than 30 years, plusing the interest by 2 percent on every year. This can satisfy me enough, comparing to other product. Some insurance only cover diseases or accident, but this product insure our life from both. Therefore with not a huge difference in premium, the product can be one best source of alternatives

2) Which mortgage would result in higher total payments?

Mortgage A: \$970 a month for 30 years

Mortgage B: \$760 a month for 5 years and \$1005 for 25 years

Mortgage A: $\$970 \times 30 \text{ years} \times 12 \text{ months} = \$349,200$

Mortgage B: $(\$760 \times 5 \text{ years} \times 12 \text{ months}) + (\$1005 \times 25 \text{ years} \times 12 \text{ months}) = \$ 347,100$

Therefore, Mortgage A would result in higher total payments.

3) What are the two main types of consumer credit?

The first is closed end credit. It acquire debt instruments in one time credit approval that used for particular purpose and specific amount of time. At the end of the given period, all the loan must be paid, including any interest. Usually, mortgages and car loans are oftens used this kind of consumer credit.

The second is opened end credit. It is not restricted to a specific use or duration. It can be used to make small purchases at different places. The maximum amount of credit depends on the lender decision. For example, credit card, car for cash, debit card and overdraft.

4) What are the general rules of measuring credit capacity?

The debt payment to income ratio can be one of the general rule. As, it compares an individual's debt payment to his or her overall income, and it can also imply an individual's ability to manage monthly payment. It is calculated by dividing monthly debt payments over monthly income payment. The low percentage means a good balance between debt and income, while the high percentage means too much debt for a certain amount of income. The raito is usually reccommended to be lower than 20 percent.

Next is the debt to equity ratio, which it represents the amount of debt that an individual has for each dollar of equity. It is usually calculated by dividing liabilities over net worth. Note that net worth is the difference between the total value of an individual's assets and individual's liabilities. A high debt to equity ratio means a high level of debt holding relative to the equity, leading to low ability to pay back. In contrast, a low debt to equity ratio means a low level of debt holding, leading to have more ability to repay the loan. Generally, the ratio is suggest to not be more than 0.5.

5) A few years ago, Michael Tucker purchased a home for \$100,000. Today, the home is worth \$150,000. His remaining mortgage balance is \$50,000. Assuming that Michael can borrow up to 80 percent of the market value, what is the maximum amount he can borrow?

Book value = 100,000

Market value = 150,000

Remaining mortgage (owe) = 50,000

Borrow up to 80% of the market value: $80\% \times 150,000 = 120,000$

Present market value of Michael's home = \$150,000. Michael can borrow up to 80 percent of the market value, or \$120,000. Michael still owes \$50,000 mortgage on his home.

Thus, he can borrow a maximum of $\$120,000 - \$50,000 = \$70,000$.