

1. Explain what amortization is and how a down payment and loan duration impact it.
  - Amortization is the reduction of a loan balance because of payments made over a period of time. A down payment helps decrease the amount of money a consumer has to ask for in a loan thus causing the payments and the loan period to be less. Loan duration is an important part of amortization because it tells you how long the loan is for. If you make payments that are higher than the minimum set payment amount the loan duration will shorten.
  
2. What is the importance of health insurance and disability insurance in personal financial planning?
  - Both protections should be a part of your overall insurance program to safeguard your family's economic security.
  
3. What is life insurance? What is its purpose and principle?
  - Life insurance is a contract between an insurance company and a policyholder under which the company agrees to pay a specified sum to a beneficiary upon the death of the insured. Most people buy life insurance to protect someone who depends on them from financial losses caused by their death. Fundamental to the life insurance principle is the predictable mortality experience of a large group of individuals.
  
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?
  - Joe and Jane could asset allocation by investing in bonds, t-bill, and TIPS. They could invest abroad and do inflation linked.