

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

Amortization is a simple way to evenly spread out costs over a period of time.

A portion of each payment or amortization goes towards: The interest costs or what your lender gets paid for the loan. Reducing your loan balance or also known as paying off the loan principal(down payment).

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

- Health insurance

Because of the fact that we could not know when we are going to get sick, injured or even become handicap, Having health insurance can be a relief. Health Insurance is a contract between an insurance company and consumer. Consumer will get benefit from the insurance policy whenever he becomes unexpectedly sick and requires costly treatment. The company will pay for the treatment for full amount or partially pay for it depends on the agreement and condition of the contract. Hence, Health insurance can reduce the cost of an accident when it occurred.

- Disability insurance

Disability insurance will compensate partly your lost income when you are unable to work due to illness or injury. When the sickness and accident occurred, the cost of treatment is not the only expense but also the absent of your working day will be deducted. Having disability insurance can be a complementary to your health insurance.

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

Life insurance is contract between the insurance company and insurance policy holder or the purchaser in exchange for premium payments, the insurance company provides a lump-sum payment, known as a death benefit, to beneficiaries upon the insured's death.

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?

Asset allocation is an act of dividing an investment portfolio among various types of asset, such as stocks, bonds, and exchange rate. If you invest in only one stock, whenever the economic downturn come up, you may take a big lose while investing in a numerous types of investment will help decrease a risk and losses. Due to the fact that benefit from other investments will be gained while one will be shrinked.