

1) Discuss one insurance product and comment on its benefits.

แผนเพื่อการออมทรัพย์

สมาร์ทเกน 10/5



- เลือกจบการชำระเบี้ยได้สั้น ภายใน 5 ปี
- ผลตอบแทนสูงถึง 310%

I am interested in “Smart Gain 10/5” from Thai Life Insurance. It requires 15-60 years old for age of insurer. This insurance product gives you 10 years of term of insurance but only 5 years of term of premium payment. The coverage term is 10 years. If you stop premium payment at year 5, you will receive 10% return and if you pay until 10 years of term of insurance, you will receive 300%. Insurer can choose the annuity to pay for 1 month, 3 months, 6 months, or 1 year. In case that the insured pass away, they will give cash back a maximum of 300% of insured. But in case that the insured alive, total benefits that insurer will receive is 310% of insured. Health check is required for this kind of insurance. Insurer can reduce tax with the maximum of 100,000 baht per year. They also give some special service that is Thai Life Insurance hotline that give you a 24 hours emergency treatment, club Thai life insurance that give you some privilege, and iService that provide you for online service.

2) Which mortgage would result in higher total payments?

Mortgage A : \$970 a month for 30 years

$$\begin{aligned}\text{Total payment} &= (\text{amount of payment}) \times (\text{number of months}) \times (\text{number of years}) \\ &= (\$970) \times (12) \times (30) \\ &= \$349,200\end{aligned}$$

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

$$\begin{aligned}\text{Total payment} &= (\text{amount of payment1}) \times (\text{number of months1}) \times (\text{number of years1}) \\ &\quad + (\text{amount of payment2}) \times (\text{number of months2}) \times (\text{number of years2}) \\ &= (\$760) \times (12) \times (5) + (\$1005) \times (12) \times (25) \\ &= \$347,100\end{aligned}$$

So, compare these 2 mortgage, mortgage A would result in higher total payments.
(\\$349,200 > \\$ 347,100)

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

There are 2 main types of consumer credit, which are installment credit and noninstallment credit.

Installment credit, also called *closed-end credit*, includes loans that require the borrower to repay the principal amount in equal periodic payments, usually monthly. A loan to purchase an automobile is one example of installment credit. It's also a popular method of financing other high-end appliances and electronics, such as refrigerators, washing machines or computers. The lender will ordinarily retain the title to the property (if one exists) until the loan is paid completely. These fixed-payment loans typically provide the borrower with very little repayment flexibility.

Noninstallment credit, which essentially includes all forms of consumer credit other than fixed-payment loans, is comprised of single-payment loans and loans that permit the borrower to make irregular payments and to borrow additional funds without submitting a new credit application. This latter type of loan is also known as *revolving-* or *open-end credit*.

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

The best way to determine how much credit you can assume is to first make an accurate and sensible personal or family budget. Budgets can be simple and carefully considered outlines of plans to distribute dollars of earnings. Two ways in measuring credit capacity are the debt to payments to income ratio and the debt to equity ratio. Cosigning a loan is a great thing to do for a relative or a friend. But in some cases it may feel like the worst thing a person can do ever. Remember by cosigning a loan, you as a person are ensuring the lender that if your friend or family member make any failure in repayments you will pay the amounts. Some factors that aid lenders to provide consumer with different types of credit or loan depends on income. The higher the income, all other things being equal and the more credit the consumer can access. However, lenders make credit granting decisions based on both ability to repay a debt and willingness as indicated in the past payment history.

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?

Present market value of Michael's home is \$150,000. He can borrow up to 80 percent of the market value, which is \$120,000. He still has a \$50,000 remaining mortgage on his home. So, he can borrow a maximum of $(\$120,000) - (\$50,000)$ which equal to \$70,000.