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

Amortization is the process of paying down debt with fixed payment schedule at equal amount of payments over a period of time and it also refers to the allocation of capital expenses for intangible assets over a specific period.
The impact of down payment, which will reduce the amount of borrowing money or principal is that when you have larger down payment, the principal amount will reduce causing interest payment and loan period also reduce. On the other hand, when you have smaller down payment, the principal amount will be larger causing the interest rate payment and loan period increases.
Loan period affects the amount of payments and total interest cost. The longer the duration, the smaller amount of payments.

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

The importance of health insurance is that health insurance provides ability to afford the medical costs for unexpectedly becoming sick in the future. By paying a fixed payment for the health insurance can reduce the debt occurring from future medical costs. Importance of disability insurance in personal financial planning is that when you cannot work, this disability insurance will provide an income of living expenses and also the mortgage loan or car payment.

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

Life insurance is a financial contract that protects against the risk of life or against the financial losses resulting fro premature of death.
Its purpose is to assure the standard living for the descendants when you pass away. The principle of life insurance is 1. law of large number which is the insurance companies will use large sample size of population to predict the death rates, 2. Insurable interest is that someone who purchase insurance on the life of another must have a personal and economic interest in the other person's life, 3. Transfer risk is that the money invested from all insurance holders will be paid out for the death of individual in the group and 4.perfected saving is that in case you die before the maturity, the insurance company will give the money to descendants. However, if you live to the maturity, the insurance company will pay out the death benefit to you.

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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?

Since Joe and Jane invest only in high-tech stocks which during the economic downturns, the high-tech stocks make large losses. On the other hand, if Joe and Jane developed a diversified investment program by invest in both risky assets and risk free assets. The risky assets will give a higher return than risk free asset however, when the economic downturn, the risky assets can also make losses. Therefore, by having asset allocation, Joe and Jane can still get some amount of money from risk free assets even-though they give a lower return.