

A Financial Report LOW LEVEL 2

A

May 27th, 2002.

Dear Mr. and Mrs. Winters:

I have now reviewed your financial situation, and based on the available information I was able to come up with a few recommendations for you.

They are as follows:

1. Advised to keep 3 months expenses for emergency purposes (approximately \$2961.00)
2. Bonds held at 5.9% compounded semi-annually should remain the same.
3. A down payment of 5% of the price of the home ($\$150\,000 \times 5\%$) = \$7,500.00
4. Cash balance remaining at July 1, 2002 is approximately \$2,200.00
5. A 5 year closed mortgage, amortized over 25 years at 7.30% resulting in a monthly payment of \$1,065.00.

This mortgage would be best for your family because it is the lowest monthly payment of all the choices.

If you have any concerns, please contact me at [REDACTED].

Sincerely

[REDACTED]
Financial Planner.

B

Assets.

Family Gross Income -	\$63,000
Family's Net Annual Income -	\$50,000
Savings -	\$12,000
Bonds (2) -	\$10,000
Bonds (2) + interest (5.9% compounded semi-annually) -	\$12,257.00
Total Assets -	\$74,257.

Expenses.

Electricity per month -	\$170
Water per month -	\$50
Phone bill per month -	\$40
Television per month -	\$30
Grocery per month -	\$150
House Insurance per month -	\$50
Life Insurance per month -	\$200
Property Tax per month -	\$125
Housing Cost per month -	\$230
Car Insurance per month -	\$100
Car Finance per month -	\$359 (15000 + tax = \$17250)
Gas per month -	\$50.

Total Expenses per month = \$13340.00

Total Expenses per year = \$16,008.00

Interest Rates.

25 year mortgage - 7.30%

C

Mortgage Rates

10 year mortgage = 6.8 %
 15 year mortgage = 7.15 %
 25 year mortgage = 7.39 %.

Amortization Periods

10 year - \$1509.18 per month
 15 year - \$1247.30 per month
 20 year - \$1096.09 per month
 25 year - 7.39 % rate.

Downpayment.

House = \$150,000
 minimum of 5% of \$150,000
 Minimum Downpayment Required = \$7500.

Closing Cost.

For 3 years $\therefore 0.03 \times \$150,000 = \4500 For 5 years $\therefore 0.03 \times \$150,000 = \7500 .

Closed Fixed Rate Mortgage.

1 year = 5.25 %
 3 year = 6.75 %
 5 year = 7.40 %

One-Time Cost.

Lawyer Fees - \$500.00
 Moving Truck - \$300.00

D

Bibliography

1. <http://www.> [redacted]
2. [redacted] Phone bill - Aunt [redacted]
3. Aunt
4. Mom
5. Mathematics Jr. II textbook; 2001
6. <http://www.> [redacted]

LOW LEVEL 2

Teacher's Notes**Knowledge/Understanding**

- The student generates calculations with some accuracy. The value of the bonds is correctly calculated, but the calculation is not shown. An attempt is made to calculate monthly expenses, but the total of the monthly expenses is inaccurate.

Thinking/Inquiry/Problem Solving

- The student provides an analysis of the client's financial situation with some detail (e.g., considers the money in the bank and the bonds, as well as a budget).
- The student recommends a down payment and justifies it with limited effectiveness (e.g., considers only the 5% minimum down payment).
- The student analyses various mortgage options with limited accuracy. The student considers varying the amortization period, and is aware that the interest rate changes as the term changes. However, the student incorrectly presents the closing costs as dependent on the term.

Communication

- The student integrates narrative and mathematical forms with some effectiveness. The student includes a letter addressed to the client, summarizing the findings. Each dollar amount listed is labelled correctly.
- The student communicates information in mathematical language with some effectiveness. Dollar signs and percent signs are included where necessary, although the equal sign is not always correctly used (e.g., it is not correct to write "1 year = 5.25 %").

Application

- The student recommends a mortgage and justifies it with limited clarity and effectiveness. The student recommends the mortgage for the reason that it is "the lowest monthly payment of all the choices", without considering any other factors.

Comments

This work is representative of a low level-2 performance. The student demonstrates some degree of achievement of the expectations in the Knowledge/Understanding and Communication categories of knowledge and skills. The student also demonstrates some degree of achievement with respect to one of the criteria in the Thinking/Inquiry/Problem Solving category. However, in the Application category and in two of the criteria in the Thinking/Inquiry/Problem Solving category, the student demonstrates only a limited degree of achievement – i.e., achievement that is more characteristic of level 1.

Next Steps

In order to improve his or her performance, the student needs to:

- include calculations in the report;
- organize the material better to present various options;
- provide explanations to justify the choice of a down payment and a mortgage;
- exercise more care in using the equal sign.