**Investing & Borrowing Examples**

1. Christopher’s parents invested $5000 by opening an account in his name when he was first born to save for his education. The account has paid interest at 4%/a compounded semi-annually. How much could Christopher withdraw on his eighteenth birthday to attend college?

**Answer:**

 P = 5000

r = 0.04

n= 2

t = 18

 A = p ( 1 + $\frac{r}{n}$)n xt

A = 5000( 1 + $\frac{0.04}{2}$ )2x18

A = 5000( 1.02)36

A = 5000( 2.0398873…)

 A = 10199.44

Christopher will have $10199.44 on his eighteenth birthday.

2. Travisis buying a new SUV for $62000. After trading in his current vehicle,she needs to borrow $46000. His payments are $889.31 per month for 5 years.

How many payments will Travis make?\_\_\_\_\_\_\_\_\_

Answer: 5 x 12 = 60

What is the total amount Travis will repay? $\_\_\_\_\_\_\_\_\_\_

Answer:

60 x $889.31 = $53358.60

If Travis’ vehicle retains 80% of its value each year, approximately how much will the vehicle be worth when he has made her last payment $ \_\_\_\_\_\_\_\_\_\_\_\_

 Value = 62000(0.8)5

= $20 316.16

Extra Practice Questions from Book: p.243-245 #1 to8, 10(a) & (b) & 12

 p. 247-248 #1 to 6