**How much money will be saved over by avoiding a bill for 50 years**

Example of man making his own coffee vs. buying

 -save 1.10 / day; 20 days / month = \_\_\_\_\_\_\_\_\_\_

 -donut $.75/ day—3 days/week = \_\_\_\_\_\_ in one month=$\_\_\_\_\_\_

 -total savings each month \_\_\_\_\_\_\_\_\_

 x 12 x 50 =$\_\_\_\_\_\_\_\_\_

 -investing instead

 $\_\_\_\_/month at 4%

 (monthly interest \_\_\_\_\_\_\_\_)

 # of months in 50 years \_\_\_\_ = $\_\_\_\_\_\_\_\_\_

 -add amount saved to amount spent to tell total difference!!!!!!!

Situation: You are 26 years old and married with 2 children. You are ready to buy a house. At this point, you have $30,000 saved for this purpose. You’re not sure if you should buy your “dream” house right away or buy a smaller, cheaper house first.

**Each blank is labeled with a number; a number in ( ) means the answer comes from that number’s blank**

 -i.e. (5)\_\_\_\_\_\_\_\_ means this answer comes from the blank labeled 5. \_\_\_\_\_\_\_\_\_

**Option#1**

1. \_\_\_\_\_\_\_\_\_\_\_

 **-**borrow 2. \_\_\_\_\_\_\_\_\_\_\_\_ **5% 30yr**

 -find monthly payment: 3. \_\_\_\_\_\_\_\_\_\_\_

 -find total amount paid: 4. \_\_\_\_\_\_\_\_\_\_\_\_

**Option #2**

**$85,000**

 **-**borrow 5. \_\_\_\_\_\_\_\_\_\_\_\_ **5% 15yr**

 -find monthly payment: 6. \_\_\_\_\_\_\_\_\_\_\_\_

 -find total amount paid: 7. \_\_\_\_\_\_\_\_\_\_\_\_

 #2 will lay back difference of payment

 -find dif: 8. \_\_\_\_\_\_\_\_\_\_\_\_\_\_

**AT THE END OF 15 YEARS**

 -at inflation of 2.5% / year: *At=Ao(1+r)t* x 1.448298167

**Option#2**

 **-sell house**

-find price: \_$123,100\_\_\_

 -how much saved by now?

-laying back (8)\_\_\_\_\_\_\_\_\_\_\_\_/ month

 -how many periods? 9. \_\_\_\_\_\_\_\_\_\_

 -total saved 10. \_\_\_\_\_\_\_\_\_\_\_\_

 -investment now worth

 -3% 15 yr

 -w/ figuring off taxes (15% tax bracket): 11. \_\_\_\_\_\_\_\_\_\_\_\_

 -total money available

 $123,100 + (11)\_\_\_\_\_\_\_\_\_\_\_\_= 12. \_\_\_\_\_\_\_\_\_\_\_\_

 **-buy other house**

 find price: \_\_$427,250\_\_\_\_\_\_\_\_\_\_

 find amount needed to borrow: \_\_$427,250\_\_\_- (12)\_\_\_\_\_\_\_\_\_\_= 13. \_\_\_\_\_\_\_\_\_

 5% 15yr

 find monthly payment: 14. \_\_\_\_\_\_\_\_\_\_\_\_

 find total amount paid: 15. \_\_\_\_\_\_\_\_\_\_\_\_

 **Total #2 paid**

 1st house: (7)\_\_\_\_\_\_\_\_\_\_\_\_

 -saved: (10)\_\_\_\_\_\_\_\_\_\_\_\_\_

 2nd house: (15) \_\_\_\_\_\_\_\_\_\_\_\_

 **-Total:** 16. \_\_\_\_\_\_\_\_\_\_\_\_

**AT THE END OF 30 YEARS**

**Option #1**: (4)\_\_\_\_\_\_\_\_\_\_\_\_\_

**Option #2:** (16) \_\_\_\_\_\_\_\_\_\_\_\_\_

**Waiting to buy saves:** 17. \_\_\_\_\_\_\_\_\_\_\_\_