**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. \_\_\_\_\_\_\_\_\_\_\_\_