

# Personal Financial Management

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## HW 1

### Question 4

A family spends \$48,000 a year for living expenses. If prices increase by 2 percent a year for the next three years, what amount will the family need for their living expenses after three years?

$$FV = 48000(1 + 0.02)^3 = 50937.98$$

### Question 5

What would be the yearly earnings for a person with \$8,000 in savings at an annual interest rate of 2.5 percent?

$$Interest = 8000 * 0.025 * 1 = 25$$

### Question 8

If you desire to have \$20,000 for a down payment for a house in five years, what amount would you need to deposit today? Assume that your money will earn 5 percent?

$$PV = \frac{20000}{(1 + 0.05)^5} = 15670.52$$

### Question 10

Carla Lopez deposits \$3,200 a year into her retirement account. If these funds have an average earning of 9 percent over the 40 years until her retirement, what will be

the value of her retirement account?

$$FV = 3200 \frac{(1 + 0.09)^{40} - 1}{0.09} = 1081223.82$$

You can find all my notes at <http://omgimanagerd.tech/notes>. If you have any questions, comments, or concerns, please contact me at [alvin@omgimanagerd.tech](mailto:alvin@omgimanagerd.tech)