2014 Personal and Family Finance Workbook, 6th Edition

ERRORS

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SECTION 1

TIME VALUE OF MONEY

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10) What would you be willing to pay (on January 1, 2011) for an investment which you could sell on January 1, 2041 for $45,000? Assume that the interest rate between 2011 and 2041 will be 9% annually.

FV = 45000
N = 30
I/Y = 9

PV = <3,391.70>

SECTION 3

CASH MANAGEMENT

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To solve the problem using this formula, remember to use quarterly compounding

$((1 + .0088/4)^{4}) - 1 = .09095$ **or 9.095%**

SECTION 5

TAXES

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3. Medical expenses that exceed 10% of AGI (7.5% for those taxpayers who are 65 years of age, or older.

Page 102, 106, 108, and 113

2014 Federal Income Tax Rates					
Joint Returns			Single Returns		
Taxable Income Over	Taxable Income but Less Than	Tax Rate (%)	Taxable Income Over	Taxable Income but Not Over	Tax Rate (%)
$0	$18,150	10	$0	$9,075	10
$18,150	$73,800	15	$9,075	$36,900	15
$73,800	$148,850	25	$36,900	$89,350	25
$148,850	$226,850	28	$89,350	$186,350	28
$226,850	$405,100	33	$186,350	$405,100	33
$405,100	$457,600	35	$405,100	$406,750	35
Over $457,600		39.6	Over $406,750		39.6

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As $12,525 is greater than $12,400, they will use the $12,525 itemized deduction which, when combined with five $3,950 personal exemptions ($19,750 = 5 X $3,950), results in a taxable income of:

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Tax Situation	**Tax Rate on Capital Gains and Qualifying Dividends (%)**
Taxpayers in 10% or 15% marginal tax bracket	0
Taxpayers in the 25%, or higher, but below the 39.6% marginal tax rate	15
Taxpayers in the 39.6% tax bracket	20

SECTION 7

HOUSING

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1) PV = 170,000
N = 30 * 12 = 360
I/YR = 7 / 12, or I/YR = 7, and P/YR = 12

Answers for 1a, b, c, and d are correct as they used $170,000

3) a. (add all amounts) = $**1,454.00**

b. (57,800 * .7) / 12 = **$3,371.67**

c. $3,371.67 – $1,454 = **$1,917.67**

d. $1,917.67 – 90 = **$1,827.67**

e. PMT = <1,827.67>
n = 30 * 12
i = 6.5 / 12
PV = $289,157.17

f. 289,157.17 / .90 = **$321,285.74**