

HW 11 and Quiz 11.

A few of you did an EXCELLENT job with the Project 1 spreadsheet and most of you did a good job with it. However, there were still more mistakes on some people's sheets than would be acceptable for real financial planning (for yourself or as advice.)

The project as given had enough flexibility in it that you did get different numbers at the end. That made it hard for you to check with each other and to find any mistakes you made. The purpose of this HW/ Quiz assignment is for you to find and correct any mistakes you made. (I'm giving you a lot of hints here, but deliberately not giving you the exact values, because I want you to talk with each other.)

Revise your financial advice spreadsheet in the following ways:

1. Use his entire \$35,000 as income, and then make sure to include the amount deducted from it for taxes and retirement as expenses. (That's not the only correct way to do it, but if you're working together, it's much easier if you all make the same choice about how to do this part.)
2. For all money amounts in this project, round to the nearest \$0.01, NOT to the nearest dollar. It is acceptable for different people to have values that differ by a few cents. But not more, if you are computing the same thing and being careful about rounding.
3. Joe's monthly cash flow is a little less than \$13, if you get the income and expenses computed correctly.
4. The value of his retirement account is based on what both he and his employer contribute. If you only included his contribution, then you are very much underestimating the value of his retirement account.
5. Paying off debt: If he pays the minimum on each account, it will take him at least 10 years to pay off everything, since you figured his student loan payment to take 10 years to pay off. In fact, he will pay off the others within that ten years, even if he only pays the minimum. The total amount of interest paid in this plan exceeds \$10,000.
6. Most people made many good suggestions about his modifying his expenses to improve his cash flow. Most people got a new net cash flow of at least \$300 and many got considerably more.
7. **Revise your suggestions to him and your work to make sure that his new class flow is at least \$300 per month more than his previous class flow. Then put exactly \$300 per month extra into debt payback (using the Snowball strategy) and the rest into savings.**
8. His new monthly cash flow is divided between the amount that he has to put toward a faster debt payout and the amount he will put into savings. **Make sure that the two sum to the new monthly cash flow.**
9. **When you use the debt reduction calculator, be sure to notice that the NEW monthly payment is equal to the SUM of the old monthly payment and the new amount that he is contributing to a faster debt payoff.**
10. When you compute the total amount that he has put into savings by the time he pays off all of his debts, be sure that you multiply the number of months by the amount he puts in each

month. (Earlier I said, and I continue to say to neglect the interest earned in order to make your calculation easier.)

The new reporting sheet (Quiz 11 Assignment in Blackboard) has only the numerical parts from before, and has two additional numbers for you to include. It requires that you say exactly how much money he is using to pay off debt originally and also after he has modified his expenses and is adding exactly \$300 per month extra into debt payback.

When you have done this, compare your work with at least two other students in the class. At this point, the only final numbers that should be different will be how much he is saving.

The reporting sheet also has a place for you to report on which other students you compared your work with and what you found.

You can only upload to Quiz 11 once. In that one time, in the same "submit", make sure to upload BOTH your spreadsheet and your electronic reporting document for Quiz 11 (which you can download from that assignment page starting Tue. Apr. 2.) If you want to store your work, do it in the assignment where you originally submitted Project 1. I set that up so that you can upload to it as many times as you want.