Money Management: Borrowing

ProjectFAME
Credit Cards and Car Loans
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June 28, 2011

Welcome Back!!!

- Let's start with daily activities
  - Logon
  - Open Worklog (Word)
    - Set up and write any opening thoughts
  - Summary of Monday
    - Questions???

Maria Break

- Mentoring
  - How many?
    - No one can meet all of your needs
  - Find your own mentors
    - Don't be passive
    - Don't be a pain
  - When you know what your passion/career is
    - Find someone who is doing it successfully
    - Ask them how they did it
    - Better yet, find more people and ask them

Newspaper Break

- Modesto Bee
  - Work and Money
- SF Chronicle
  - Business Report
- NPR Market Place at 6:30 pm 91.3 FM
- Car ads

Examples and Practice

- Independent Practice Handout
  - Create a spread sheet with columns:
    - Month
    - Beginning Balance
    - Minimum Payment
    - Interest rate (decimal notation)
    - Interest Paid
    - Principal Paid
    - Ending Balance

Month

- Start with 1 in first A2
- In A3 use formula
  - =A2+1
- Copy formula in cell A3
- Paste it into cells A4 - A50

Beginning Balance

- In cell B2 enter 325
- In cell B3 enter the formula
  - = G2
    - Ending balance of previous month
- Copy formula in cell B3
- Paste it into cells B4 - B50

Minimum Payment

- In cell C2 enter the formula
  - =IF(PRODUCT(B2, 0.035)>10,PRODUCT(B2, 0.035),10)
  - If 3.25% of the beginning balance is more than $10 pay that amount, otherwise pay $10
- Copy formula in cell C2
- Paste it into cells C3 - C50

Interest Rate

- In cell D2 enter the formula
  - =PRODUCT(0.22,1/12)
  - Interest rate in decimal notation divided by 12 months
- Copy formula in cell D2
- Paste it into cells D3 - D50

Interest Paid

- In cell E2 enter the formula
  - =PRODUCT(B2,D2)
  - Beginning balance times interest rate
- Copy formula in cell E2
- Paste it into cells E3 - E50

Principal Paid

- In cell F2 enter the formula
  - =SUM(C2,-E2)
  - Payment minus interest portion
- Copy formula in cell F2
- Paste it into cells F3 - F50

Ending Balance

- In cell G2 enter the formula
  - =B2-F2
  - Beginning balance - principal paid
- Copy formula in cell G2
- Paste it into cells G3 - G50

Formatting

- For all of the columns except A and D
  - We want it formatted for American dollars
- Bring up the dialog box:
  - "command 1"
  - "Format" and "cells" in pull down menu
- Choose
  - Number
  - Currency
  - $
  - Two decimal places

Are we done yet?

- Now that we have the spread sheet
- Let's run some scenarios
  - First make a copy
  - What if we pay $20 per month
  - What if we pay $50 per month
  - Test some scenarios of your own!
- What can you conclude?

Maria Break

- What is wisdom?
- How do you get it?
  - Pay attention
  - Think - how can I get better
  - MAKE MISTAKES
    - And learn from them
    - This means taking responsibility
- What are you good at?
- How do you get good at something?
  - Practice
    - Serious and thoughtful
    - Looking for ways to improve

Auto Loans

- But first!!!!
  - Research what car you want to buy
    - AAA
    - Consumer Reports
    - Cars.com
    - Blue Book
    - www.cartalk.com
    - Other???

Diversion: Internet Research

- How do you know if the information you found is good?
  - Accuracy, Authority, Coverage, Currency, Objectivity, Support
  - Web specific criteria?
  - Smell test
  - Can it be verified
  - Why is the page up or "follow the money"

Diversion: Internet Research

- How do you know you found the good information?
  - Search terms matter
  - Look for links out of reputable sites
  - Go to authority

Diversion: Internet Research

- Reading Reviews
- Statistics
  - Random sampling - is it representative?
  - How do we handle outliers
- Be realistic about your needs
- Be realistic about what you can afford

Diversion: Internet Research

- Go to cars.com and find a bad review of the car you think you would like to own
- In you worklog:
  - Describe the car
  - Paste in the bad review and the link where you got it
  - Write 2 or 3 sentences about whether this review changed you opinion of the car