In this final finance task, you will be choosing a career, and based on your take-home pay, looking at what kind of home you can afford.

**Section 1:** Calculate your **Net Pay** (what goes in the bank) after taking deductions from your **Gross Pay** (what you earn).

1) **Occupation Choice:** Pick one of the following occupations, circle it, and use the Average Yearly Salary to complete your calculations.

|  |  |  |  |
| --- | --- | --- | --- |
| **Occupation Category 1** | **Salary** | **Occupation Category 2** | **Salary** |
| Landscape Architect | $65,000 per Year | Construction Manager | $ 50,000 per Year |
| Social Worker | Practical Nurse |
| Police Officer | Automotive Technician |
| Dental Hygienist | Welder |
| Other: | | Salary: | |

\* Other – Alternate occupations, see teacher: <http://bit.ly/1dbWP30>

If you chose another occupation, show Mr. Smith, and write in your yearly salary.

**2. Calculate your Net Pay:** We will be spending more time on this later, but for now we will use the following estimate…

Income taxes, CPP, EI, and other taxes will wind up being approximately 40% of your salary. So your net pay is usually around 60% of your salary. To find your net pay, do the following:

**Net Pay = Salary x 0.6**

**My Net Pay=\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**3. Calculating Your Housing Budget:** According to Gail Vaz-Oxlade (Till Debt do Us Part, Money Morons), your housing should be 35% of your income.

1. Calculate how much of your net income should be going towards a housing payment. i.e. find 35% of your net income.

**Your Yearly Housing Budget = \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

1. Divide this number by 12, this is your monthly maximum payment (Pmt)

**Monthly Maximum: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**4. Mortgage Affordability:** Given your monthly maximum (Pmt) that you can spend on housing, determine the price of a house you would be able to afford.

If you were to spend all of the 35% of your net income recommended by Gail, what would be the maximum cost of a new house to you given the following info?  
  
- Annual mortgage rate is 3% compounded monthly (I%)  
- You would be calculating your payments monthly for 25 years (use this to find N)



(payments)

0

**Your Maximum House Price (PV): \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**5.** **Saving for a Down Payment:** Gail also recommends that you save 10% of your net income each month.

1. What would be the amount going into a savings account each month given that you save 10% of your net pay during the year. You will use this for “Pmt” below.

**Monthly Savings Amount: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

1. If you are able to save 20% of the house cost and put it towards a down payment, you do not have to pay insurance costs (an extra 3% of your house cost approximately).



The following house was listed at 59 Main St W in Acton for **$156,000.**

ii) What is 20% of $156,000? You will use this for FV in the following question.

iii) If you were to save 10% of your income each month at a 5% interest rate compounded monthly, how long would it take you to save 20% of this purchase price?



(payments)

0

\*Remember your result will be in months….

Length of time to save 20% = \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ # months

Rubric

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Component** | **Level 1** | **Level 2** | **Level 3** | **Level 4** |
| Data Usage - Correctly identify and use data required for assignment | Few | Some | Considerable | Exceptional |
| Calculations - Evidence of work to perform required calculations - Ability to complete calculations | Few | Some | Considerable | Exceptional |
| Application - Ability to apply previous course content to new calculations (Finance Solver) | Few | Some | Considerable | Exceptional |
| Communication - Assignment is formatted for math purposes | Few | Some | Considerable | Exceptional |

**Overall Level :**