

FINANCIAL LITERACY: MOD 20 CASES WITH COMPOUND INT CALCULATIONS

Name _____

Jamie Lee Jackson, age 24, has recently decided to switch from attending college part-time to full-time in order to pursue her business degree and aims to graduate within the next three years. She has 55 credit hours remaining in order to earn her bachelor's degree, and knows that it will be a challenge to complete her course of study while still working part-time in the bakery department of a local grocery store, where she earns \$500 a week. Jamie Lee wants to keep her part-time job at the grocery store, as she loves baking and creates very decorative cakes. She dreams of opening her own cupcake café within the next five years. She also realizes that by returning to school full-time, she will forgo any free time that she enjoys now socializing with friends.

Jamie Lee currently shares a small apartment with a friend, and they split all of the associated living expenses, such as rent and utilities. She would really like to eventually have a place of her own. Her car is still going strong, even though it is seven years old, and she has no plans to buy a new one any time soon. She is carrying a balance on her credit card and is making regular monthly payments of \$50 with hopes of paying it off within a year. Jamie has also recently taken out a student loan to cover her educational costs and expenses. Jamie Lee also began depositing \$1,800 a year in a savings account that earns 1 percent interest, in hopes of having the \$9,000 down payment needed to start the cupcake café two years after graduation.

Current Financial Situation

- Chequing account: \$1,750
- Emergency Fund savings account: \$3,100
- Car: \$4,000
- Student loan: \$5,400
- Credit card balance: \$400
- Gross monthly salary: \$2,166.67
- Net monthly salary: \$1,700

Questions

1. What are Jamie Lee's short-term financial goals? How do they compare to her intermediate financial goals?
2. Browse Jamie Lee's current financial situation. Using the *SMART* approach, what recommendations would you make for her to achieve her long-term goals?
3. Name two opportunity costs that would be considered in Jamie Lee's situation.
4. Jamie Lee needs to save a total of \$9,000 in order to get started in her cupcake café venture. She is currently depositing \$1,800 a year in a regular savings account earning 1% interest. How much will she have accumulated five years from now in this regular savings account, assuming she will be leaving her Emergency Fund savings account balance untouched and for a rainy day?

