

Answer Key for Support Problems

1: $4\% \text{ interest} - 2\% \text{ inflation} = 2\% \text{ net}$ $.28 \text{ tax} \times 2\% \text{ interest} = .56$ $2 - .56 = 1.44\% \text{ real return}$.

2: $\$12.45 - \$10.95 = \$1.50$; $\$1.50 / \$10.95 = 13.7\%$; $13.7 / 1.5 = 8.71\%$

3

Year	1	2	3	4	5(College)	6	7	8
Amount	\$15,000	\$16,350	\$17,822	19,425	21,174	23,079	25,157	27,421

4: 9% for mortgage loans

Housings costs are expected to grow at 5%

1 Year : \$115,500

3 Years: \$127,336

5 Years: \$140,393

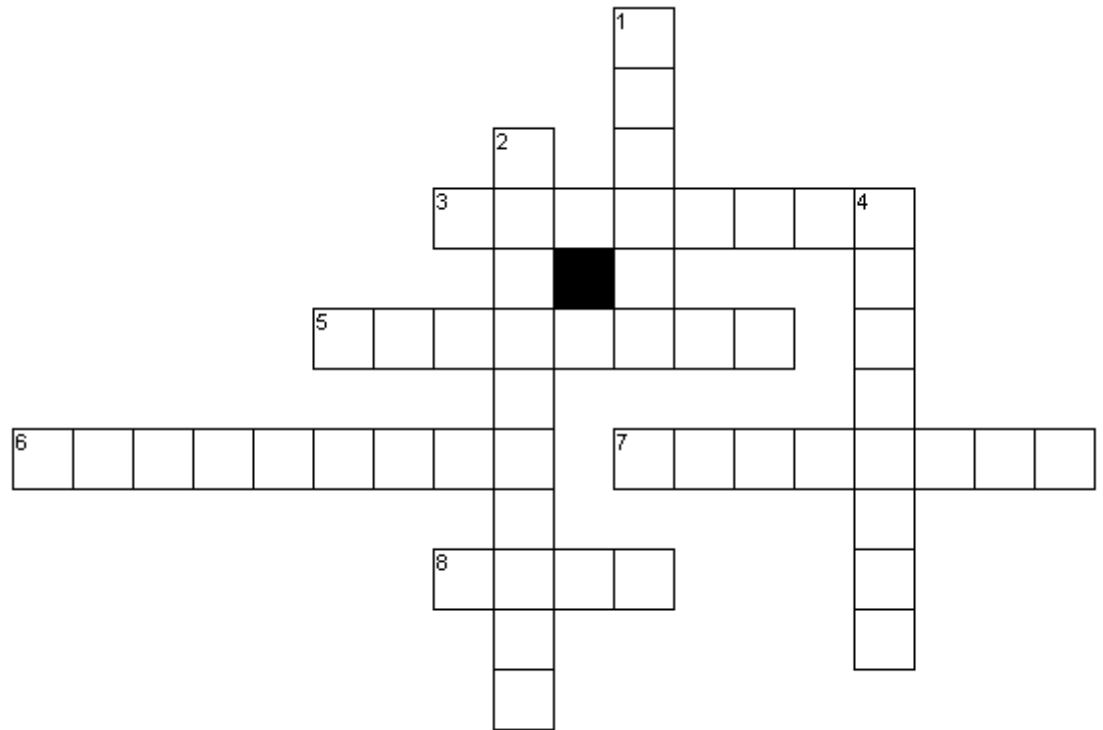
10 Years: \$179,179

5: $\$2,000,000 \times .10 = \$200,000$

$\$2,000,000 \times .04 = \$16,000$

Profit $\$184,000 \times 70\% \text{ after-tax} = \$128,800$

Criss-Cross Puzzle



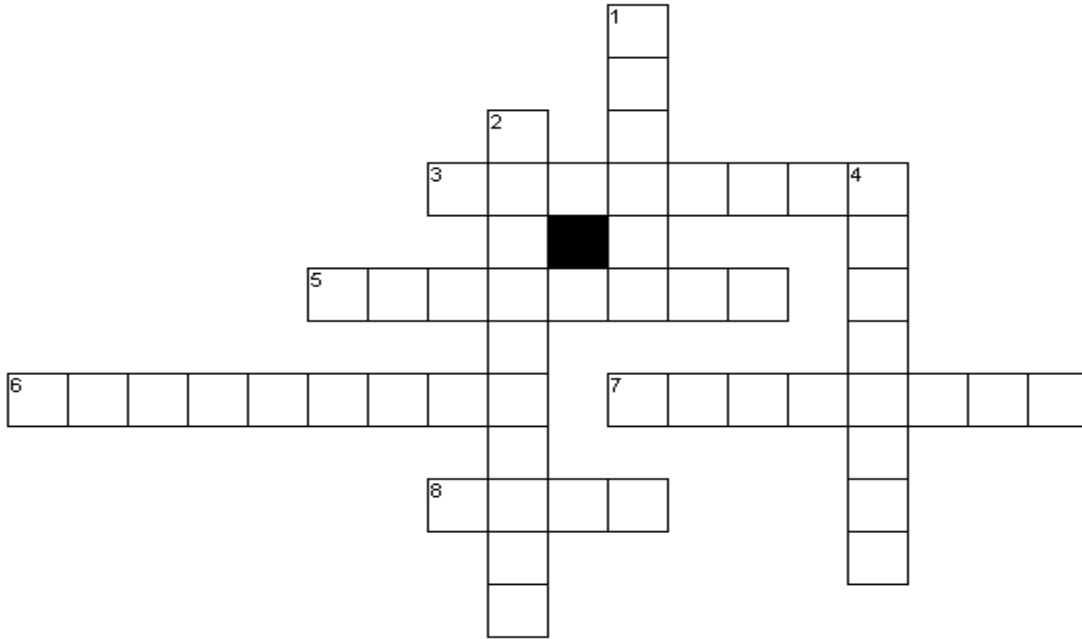
Across

3. Type of interest based on both Principal and previously earned interest
5. Price earned or paid for saving/investing or borrowing money
6. Rise in average price level for goods and services
7. Effect on interest rates when people borrow a lot of money
8. The rate of return from Savings minus Inflation

Down

1. Type of interest based only on original amount
2. The party that takes actions to control inflation
4. Effect on interest rates when people save a lot of money

Criss-Cross Puzzle KEY



Across

3. Type of interest based on both Principal and previously earned interest (**Compound**)

5. Price earned or paid for saving/investing or borrowing money (**Interest**)

6. Rise in average price level for goods and services (**Inflation**)

7. Effect on interest rates when people borrow a lot of money (**Increase**)

8. The rate of return from Savings minus Inflation

Down (**Real**)

1. Type of interest based only on original amount (**Simple**)

2. The party that takes actions to control inflation (**Government**)

4. Effect on interest rates when people save a lot of money (**Decrease**)

Vocabulary Terms
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- Compound Interest - Cost of interest based on both Principal and previously earned interest.
- Government - Institution that may increase or decrease interest rates.
- Inflation - Rise in average price level for goods and services.
- Interest Rate Decreases - What happens when people save a lot of money
- Interest Rate Increases - What happens when people borrow a lot of money
- Interest - Price earned or paid for saving/investing or borrowing money.
- Real rate of return - Amount of interest or return less the rate of inflation.
- Simple Interest - Cost of interest based only on original amount.
- Stagflation - Period when interest rates neither increase nor decrease