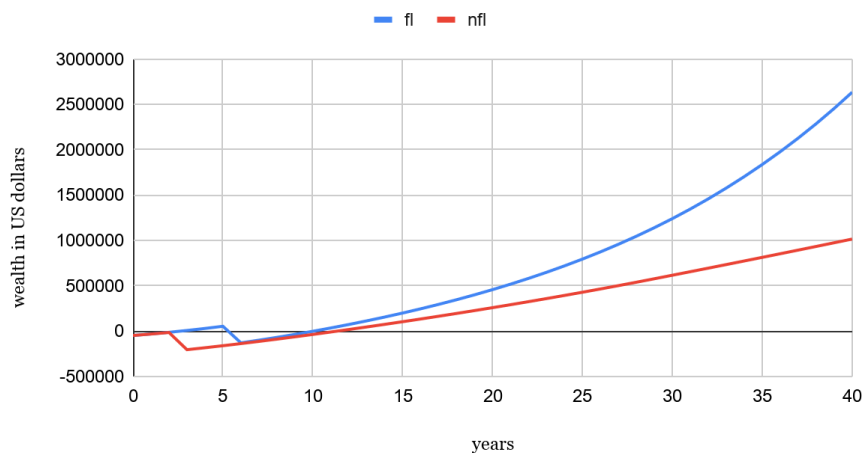


Project 2: Written Response

1. What did you learn from this assignment that you didn't know before?
  - a. I learned a lot from this assignment that I didn't know before, as I wasn't as knowledgeable about the different ways one can better handle their money. I was not aware of the private mortgage insurance (PMI) of 0.5% that is added onto the mortgage interest rate when a downpayment is less than 20%. I also had no idea about the existence of a mutual interest fund, which has a higher annual interest rate of 7% than the 1% of a simple savings account and prevents one's money from being worth less with each passing year because of the 2% inflation rate. Additionally, I was unaware of the benefits of paying more than the minimum requirement on your debt. In simply being aware of these concepts and having a stronger understanding of basic financial ideas, like mortgages, I have improved my financial literacy..
2. How much more debt did nfl end up paying compared to fl?
  - a. The financially literate individual fl paid about \$82,065, while the financially illiterate individual nfl paid about \$95,585.69; nfl paid \$13,520.59 more in debt than fl.
3. How many more years was nfl in debt compared to fl?
  - a. The financially literate individual fl was in debt for 12 years, while the financially illiterate individual nfl was in debt for 36 years; nfl was in debt for three times as long, 24 more years.
4. How much more money does fl have at the end of 40 years compared to nfl?
  - a. The financially literate individual fl has \$2,634,682, while the financially illiterate individual nfl has \$1,015,587; fl has \$1,619,095 more at the end of 40 years compared to nfl.
5. You don't need to test each function to answer this question, but which decision do you think had the greatest effect on the disparity between fl and nfl?
  - a. I think that the decision to place their money in a mutual interest fund had perhaps the greatest effect on the disparity between fl and nfl. The mutual fund has an annual interest rate of 7%, while the simple savings account only has 1%—and because of 2% inflation per year, the money isn't worth as much as the years go on. With 20% of their yearly salary going into the savings account every year
6. Come up with three life financial decisions (that were not mentioned in this assignment) that a non-financially literate person and a financially literate person might make differently. Specify which person would make which decision.
  - a. A financially literate person would create a consistent, thorough expense budget throughout their life and adhere to it, whereas a non financially literate person would not recognize the value in creating a budget and sticking to it—or they may create a budget but may not do so wisely. A financially literate individual takes in their income and effectively distributes it, as this will prevent overspending and ensure any savings without neglecting needs and payment requirements, like debt and bills.

- b. A financially literate individual would create an emergency fund. It is critical to have a financial safety net to cover the unexpected expenses and losses throughout life, like a job loss. A financially literate individual would consistently set aside approximately three to six months worth of expenses in a high yield savings account or in cash. A non-financially literate individual would not have any emergency fund; they would not consistently set aside enough money and would thus take a significant financial hit with any unexpected hiccup in a life plan.
  - c. A financially literate individual would build a retirement fund throughout their lives—especially significant in recent years. They would consistently contribute money in the right retirement accounts, whether it's an employer sponsored plan like a 401k or an IRA, allowing for tax benefits and a stable hold on the money they need for retirement. A non-financially literate individual would not set up a retirement account, and if they did, they would not fulfill their contributions and would withdraw money from the account early, falling behind and in greater debt.
7. Plot the wealth of fl and nfl using your favorite graphing software (e.g. Excel).

fl and nfl Wealth Per Year



a.

#### Work Cited

McGurran, Brianna. "How to Build Financial Literacy-and Why." *Experian*, Experian, 7 Jan. 2020, [www.experian.com/blogs/ask-experian/what-is-financial-literacy-and-why-is-it-important/](http://www.experian.com/blogs/ask-experian/what-is-financial-literacy-and-why-is-it-important/).