Personal Finance

A Brief Introduction to Basic Concepts

Learning Target

Evaluate the different types of mortgage options.

Interest vs. Principal Debt

Principal: The amount of money actually borrowed.

Interest: A percentage added to the debt each month. (The cost of borrowing money.)

If you borrow $100 at 10% interest, how much do you owe at the end of the month?

If you pay back $20, how much will you owe next month? How much of your hundred dollars have you actually paid?

Mortgage Types

The basic types are a fixed rate or an adjustable rate.

Fixed rate: Your monthly payment is the same for the duration of the loan

-Usually 15 or 30 year mortgages. (Up to 50)

Adjustable rate (ARM): Your monthly payment will change as interest rates change.

-This may or may not have a "balloon."

Mortgage Calculator

"Fake Life" project

In addition to your house and its selling price, your presentation should include:

- Your monthly mortgage payment.
- Final cost of the house.
- Explanation of the mortgage situation you chose, and your reasoning for making those choices.

Taxes

Learning Target:

Identify the common types of taxes that Americans pay, and explain their use.

Federal (and State) Income Tax

Federal Income Tax:

- The largest single tax, at least for most people.
- [IRS.gov](IRS.gov)
- Tax deductions vs. tax credits

State taxes:

- Usually simpler. Just google the rate for the state you're fake living in.

Other Taxes

Property tax:

- Taxes assessed on the value of property owned.
- Millage: 1 mil= $1 for every $1,000 of your property's taxable value.

Sales Tax:

- Taxes collected on goods and services purchased.

FICA and FICA-HI:

- Taxes collected specifically to fund Social Security, Medicare, and Medicaid. (7.65% or 8.55%)

Capital Gains tax:

- Taxes collected on profits gained from the sale of a capital asset (land, stock, etc.)

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You should know how much you are paying in taxes.

- Federal Income
- State (and city, if applicable)Income taxes
- FICA and FICA-HI
- Property taxes.