

ECONOMICS  
ASSET EVALUATION

Show all work.

1. You have a five year old child and you have been thinking about how you are going to help her pay her way through college. You look up some safe investments; like savings bonds. Given that the future pay-off of the bond is \$8,500 over five years at 5% interest, what should you expect to presently pay (present value) for the bond?
2. True Car of Columbia, SC advertised a Ford EcoSport (2019) at \$23,178. The EcoSport is a sporty smaller SUV that is perfect for the recent college graduate/young professional. Given that the repayment period is 5 years and the interest on the loan is 3.99%, what are the likely monthly car payments on this loan?
3. The average median 2019 price of a home here in Columbia, SC was around \$145,000. That price is not bad at all (surprisingly good!!). Given that the interest on the housing loan is roughly 3.92% and the deal is over 30 years, what should you approximately expect your monthly payments to be if you decide to purchase a house here in Columbia?
4. Allan Iverson (I hope that I spelled is name correctly), the former NBA basketball megastar, is reported to have earned over \$100 million over his 15 year NBA career. Despite this enormous amount of money, Iverson had to receive a monetary gift from his former wife just to make ends meet at that time. Let's do an experiment. Let's see what could have happened with Allan Iverson's finances had he put just \$10,000,000 away in a savings account that pays an interest of 2.5% over the 15 year playing period.
5. Now; subtract the initial savings from the savings after the 15 year period.
6. What do you think about the results?

