

Chapter 10  
Planning for Retirement

Section 10-5B

### Investment Diversification

**Objective:**  
**Calculate**

**Example 5**

Today, Jennifer and Kevin bought a real estate property for \$350,000.

Based on research they have done, they expect the value will increase this year by 8%.

One year later, a sewage plant opened up one block away and the property value actually fell by 40%.

a. Compute the expected gain/loss on their real estate investment.

**Gain/Loss =**

Gain/Loss =

b. Compute the actual gain/loss on their real estate investment.

**Example 6**

Rob pays \$98 per month for a \$100,000 life insurance policy. Rob had the policy for 29 years before he died. His beneficiaries received \$100,000. Compare this to investing \$98 per month for 29 years at 4.6% interest compounded monthly.

**Future value of a periodic deposit investment:**

$$B = \frac{P \left( \left( 1 + \frac{r}{n} \right)^{nt} - 1 \right)}{\frac{r}{n}}$$

**Assignment 10-5B**

Read Pg: 642 to 645

Do Pg 648: #6 – 10 and

Pg 650: "What's the Problem"