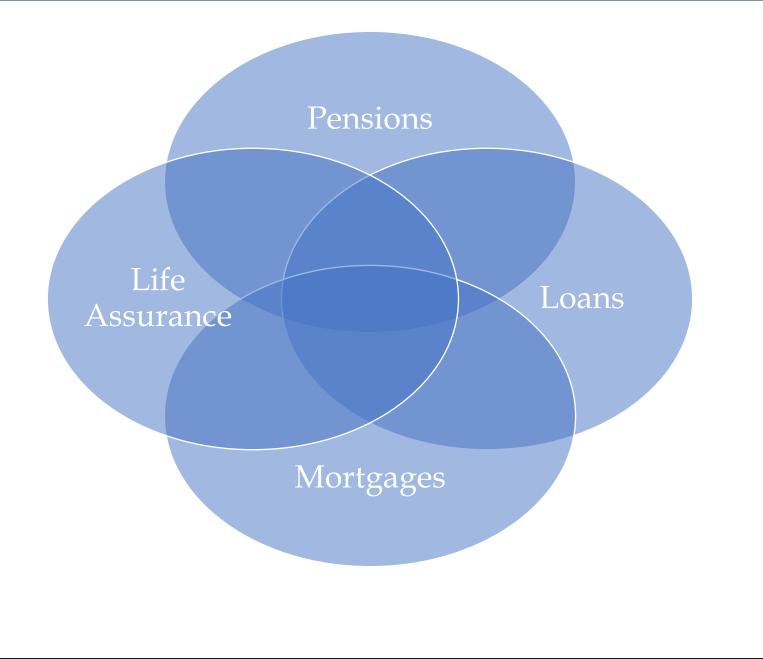


Chapter 9 – Other Financial Products

5 Questions



Other Financial Products

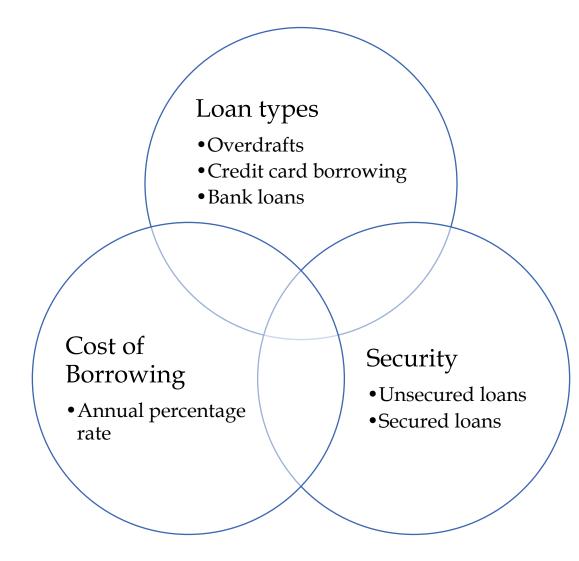




Retirement Planning

Why is retirement planning important Types of pension schemes Retirement planning Being able to enjoy rather than endure retirement requires Main aims in retirement -State pension scheme individuals to plan and take action income; capital to achieve that objective Strategies – investment **Corporate Retirement** objectives; asset allocation; Plans investment products; pensions Capital and income in retirement pensions; savings; investments; Personal pension property; business







Calculate the Effective Annual Rate

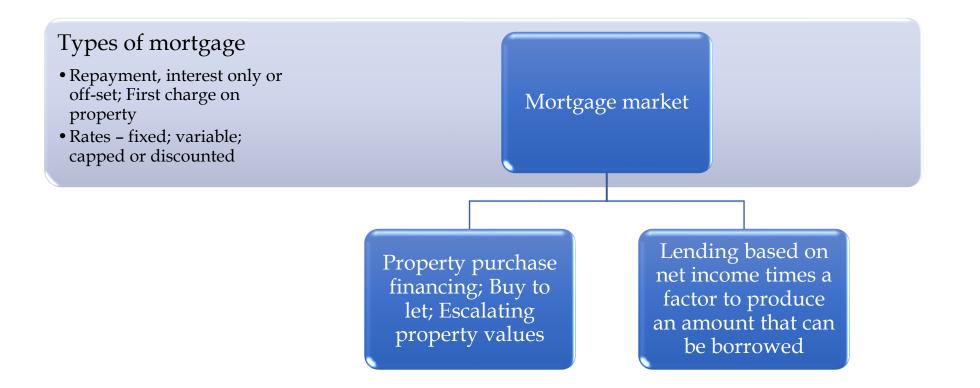
Calculate effective annual rate for credit card borrowing of £100 at 12% pa charged quarterly:

- First quarter: £100 x 3% = £3 will be added to the balance outstanding, to make it £103
- •Second Quarter: £103 x 3% = £3.09 will be added to make the outstanding balance £106.09
- Third Quarter: £106.09 x 3% = £3.18 will be added to make the outstanding balance £109.27
- Fourth Quarter: $\pounds 109.27 \times 3\% = \pounds 3.28$ will be added to make the outstanding balance $\pounds 112.55$
- Effective annual rate of 12.55/100 x 100 = 12.55%

Alternatively:

- •12% divided by 4 = 3%, expressed as 0.03
- $\bullet 1 + 0.03 = 1.03$
- $1.03^4 = 1.03 \times 1.03 \times 1.03 \times 1.03 = 1.1255$
- 1.1255 1 = 0.1255 x 100 = 12.55%







Islamic Finance - Mortgages

Compliance with *Sharia'a*

Mortgages

•Murabaha •Ijara

Avoidance of *riba* and *gharar*

Differences

- Asset backed
- No unlawful business or sources of funding
- Ethical and socially responsible



