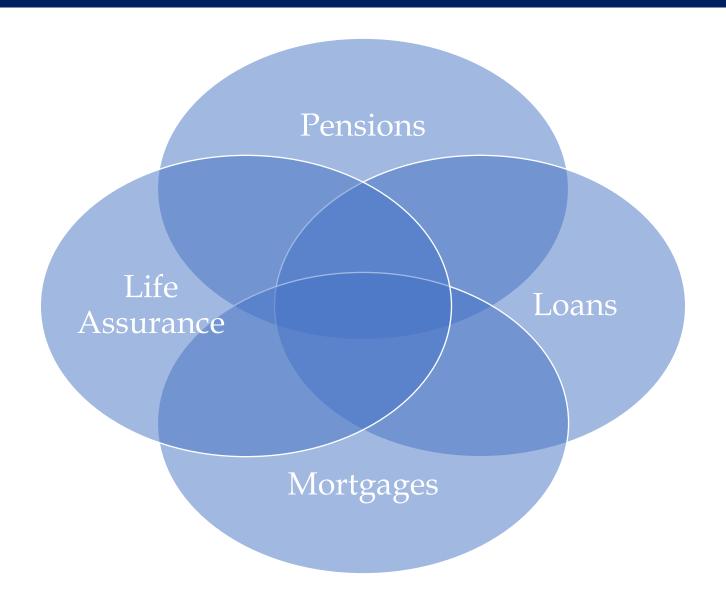


Chapter 9 – Other Financial Products

4 Questions

Other Financial Products



Retirement Planning

Why is retirement planning important

Being able to enjoy rather than endure retirement requires individuals to plan and take action to achieve that objective Retirement planning

Main aims in retirement – income; capital

Strategies – investment objectives; asset allocation; investment products; pensions

Capital and income in retirement – pensions; savings; investments; property; business

Types of pension schemes

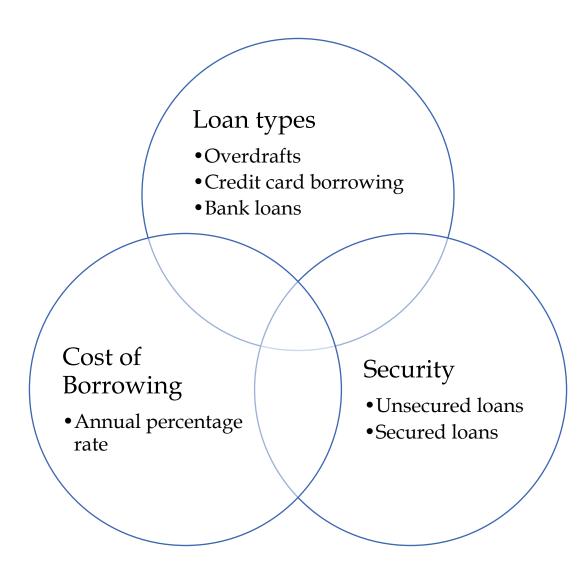
State pension scheme

Corporate Retirement Plans

Personal pension



Borrowing



Calculate the Effective Annual Rate

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

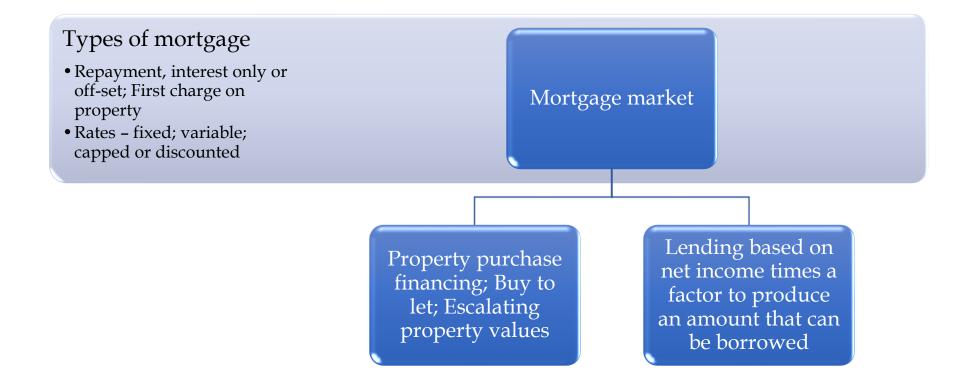
- First quarter: £100 x 3% = £3 will be added to the balance outstanding, to make it £103
- •Second Quarter: £103 x 3% = £3.09 will be added to make the outstanding balance £106.09
- Third Quarter: £106.09 x 3% = £3.18 will be added to make the outstanding balance £109.27
- Fourth Quarter: £109.27 x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

Alternatively:

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



Mortgages



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

Life Assurance

