

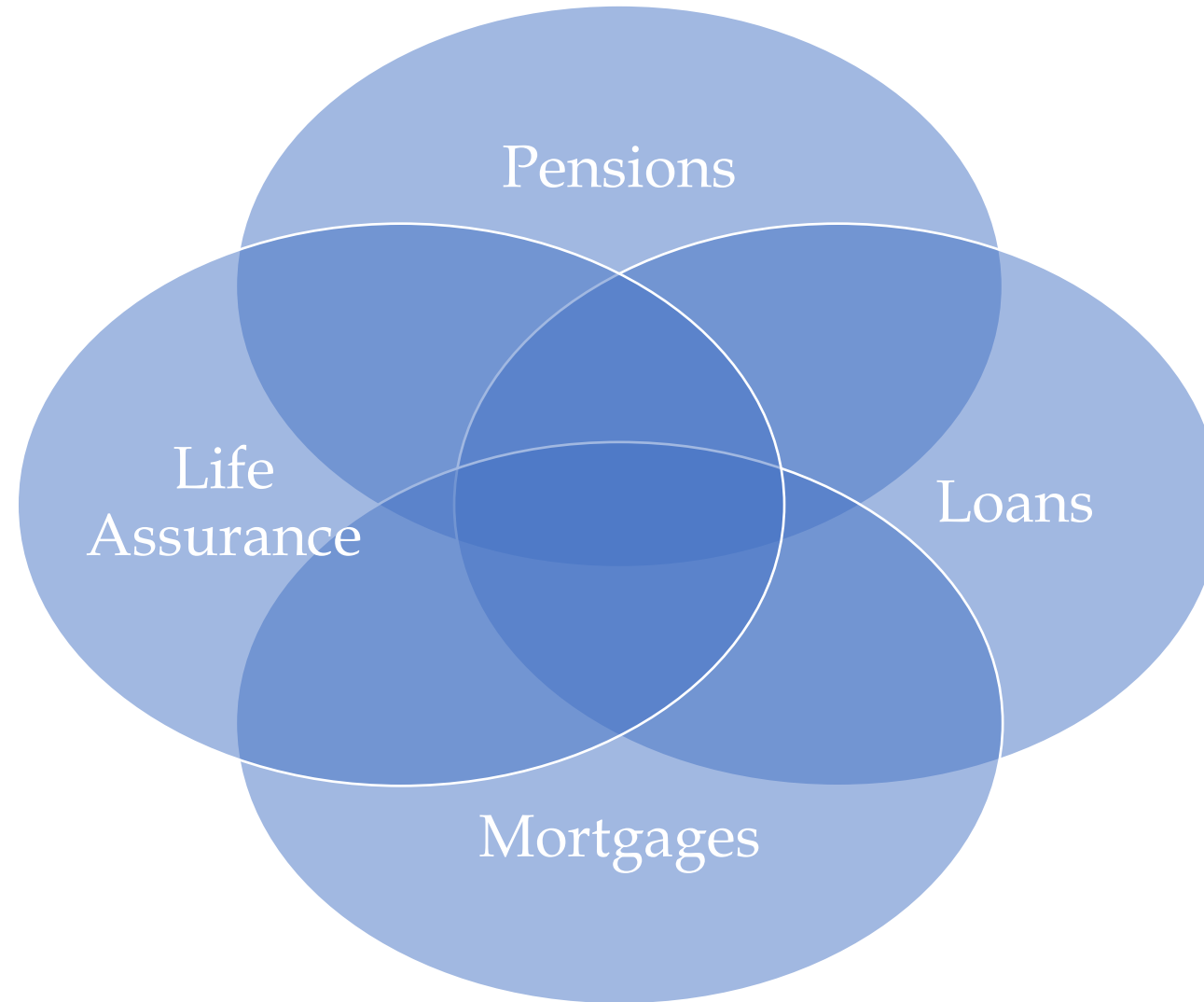


Chapter 9 – Other Financial Products

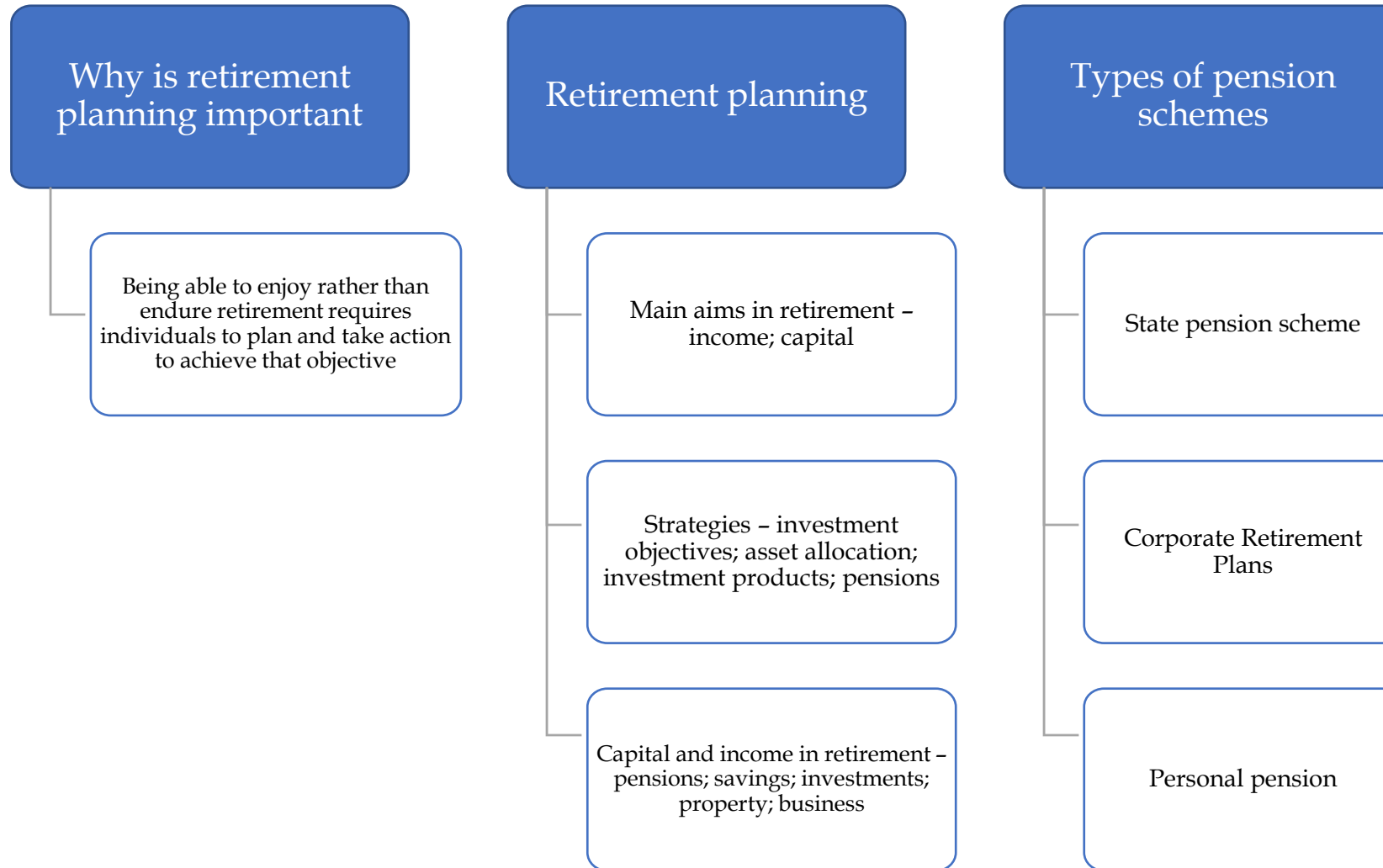
4 Questions



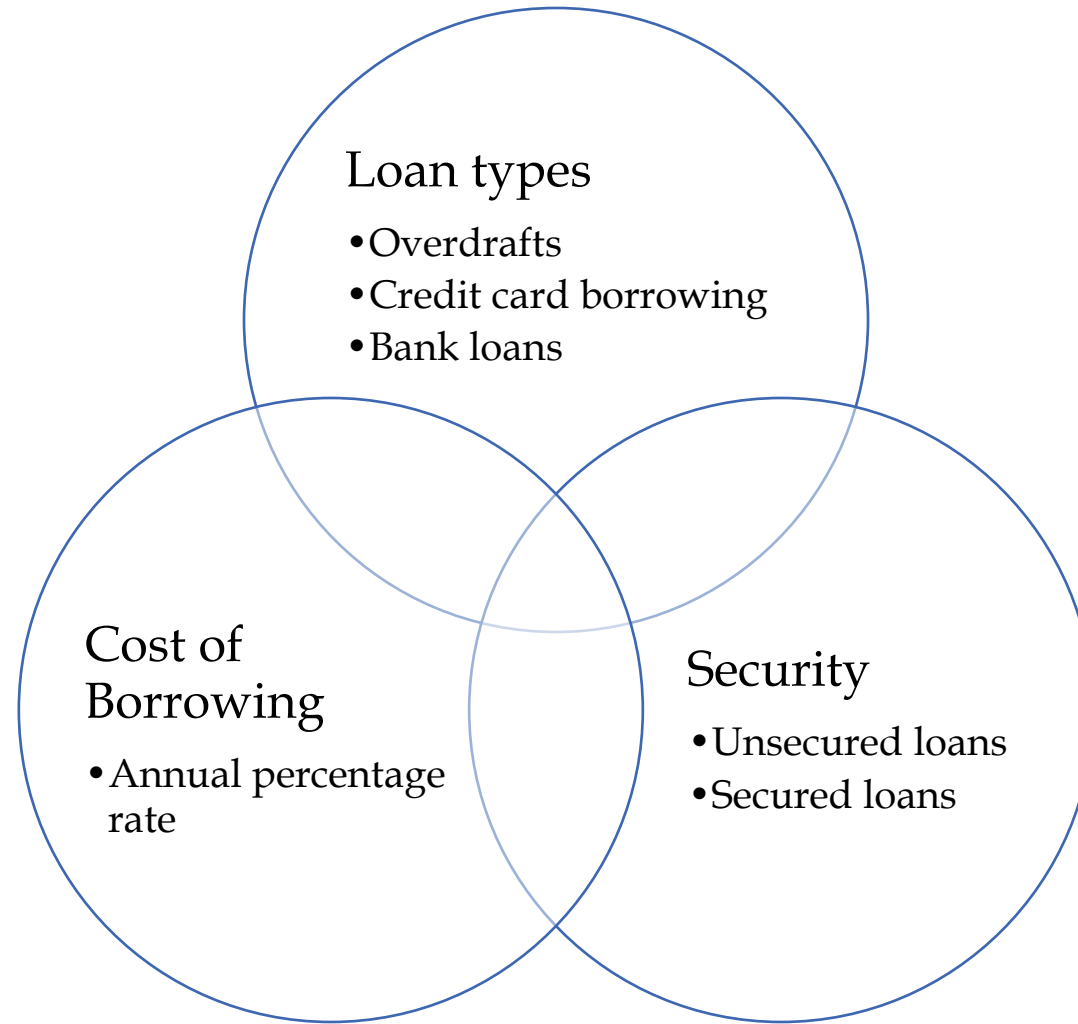
Other Financial Products



Retirement Planning



Borrowing



Calculate the Effective Annual Rate

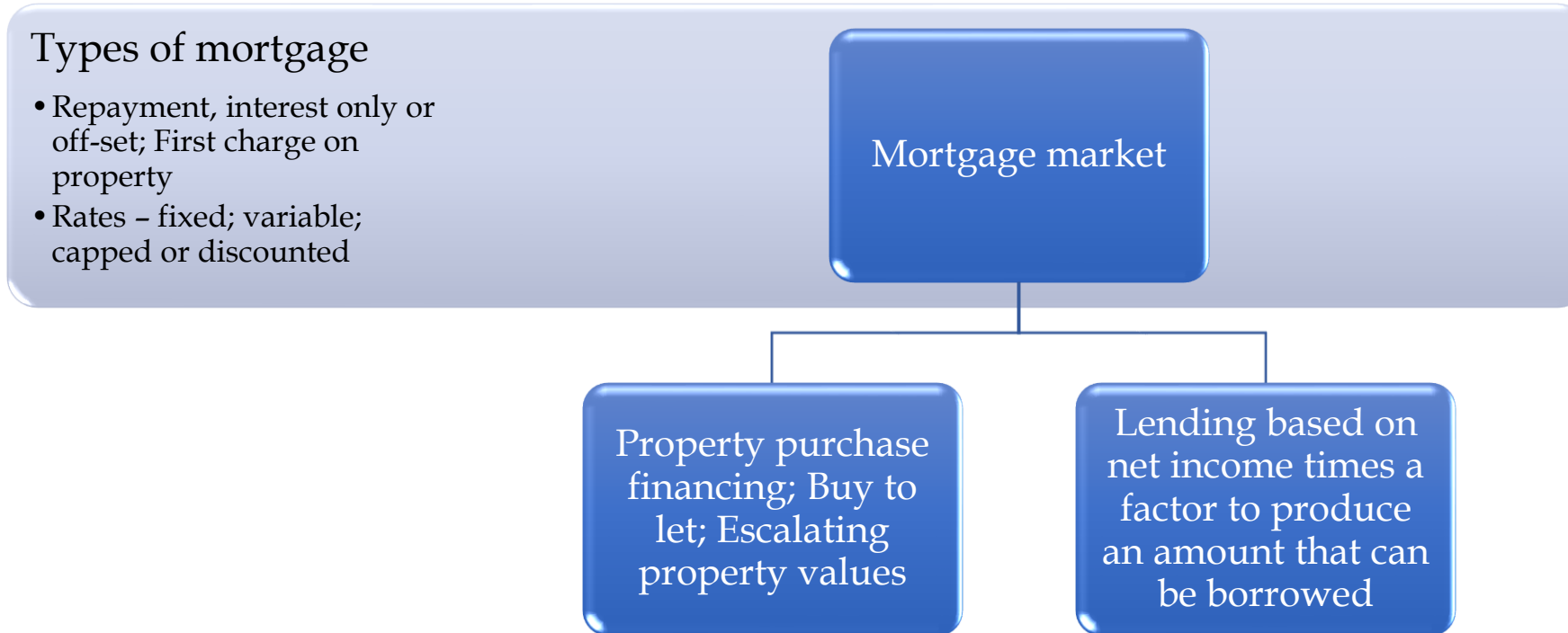
Calculate effective annual rate for credit card borrowing of £100 at 12% pa charged quarterly:

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

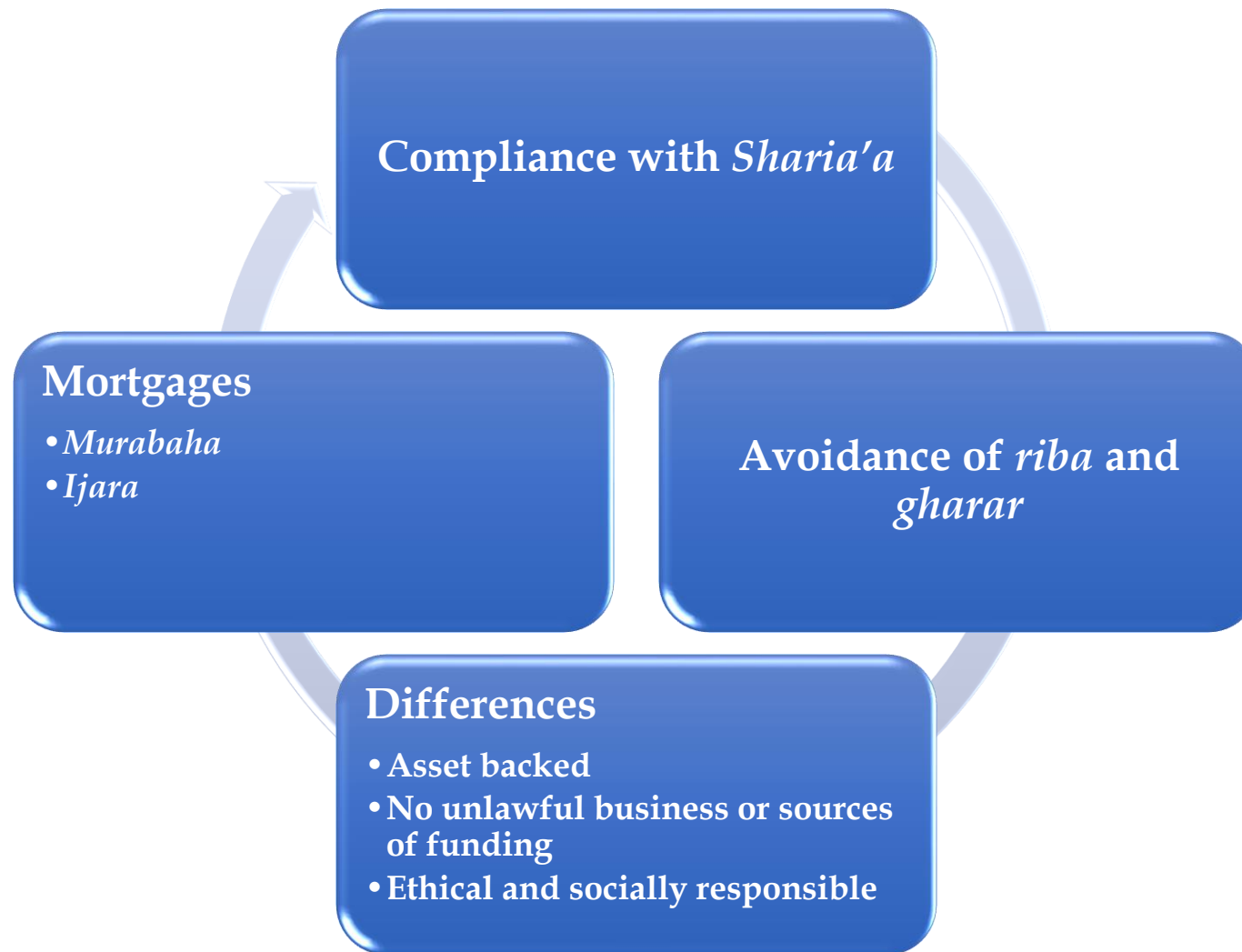
Alternatively:

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





Islamic Finance - Mortgages



Life Assurance

