

Installment Math Problems

1. Clare wants to buy a wide-screen TV that sells for \$2,000 cash. She will make a down payment of \$1,000 and then six monthly payments of \$200. What is the full installment price and the annual interest rate?

Applying the 20/10 Rule: If Clare has a net monthly income of \$1,400, and already pays \$100 per month for a furniture installment loan, would you recommend that she purchase the TV? (Use the 20/10 Rule to guide you) Why or why not? Show your calculations.

2. Miguel has his heart set on a new GPS that will cost him \$325 if he pays cash and \$400 if he pays by installments. If the down payment is \$50, how much will he pay in each of 12 monthly payments? What is the annual interest rate on this purchase?

Applying the 20/10 Rule: Miguel currently earns \$8,000 per year. He also is paying on a used car with an existing installment loan at \$100 per month. Does the GPS installment loan fit within safe debt guidelines using the 20/10 rule? Show your calculations.

