

Answer each question with a complete sentence or detailed calculations.

1. Financial planners suggest that you should not spend more than (approximately) one-third of your income on household expenses.

- a) Based on your income, calculate the maximum monthly amount that you can spend on housing.

- b) With your income, what kind of housing is affordable?

2. The biggest initial cost when you buy a home is the down payment. Let's say that you want to save \$20,000 for a down payment.

- a) To save \$20,000, you decide to set aside 10% of your monthly income. Calculate the number of years it will take to save this money.

- b) If you want to shorten that time, you need to be prepared to work harder or cut back on other expenses. Indicate which expenses you are prepared to eliminate from your budget for a few years in order to save for a down payment more quickly. Describe how those changes will affect your lifestyle.

3. Housing costs vary according to a number of factors, including dwelling size and neighbourhood. Describe what kind of housing would be most appropriate, considering your financial resources.