# *Personal Finance 13th edition Kapoor Solutions Manual*

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**CHAPTER 2**

1. *Determining the Future Value of Education.* Jenny Lopez estimates that as a result of completing her master's degree, she will earn an additional $8,000 a year for the next 40 years.
    a. What would be the total amount of these additional earnings?
    b. What would be the *future value* of these additional earnings based on an annual interest rate of 6 percent? (Use a financial calculator or Exhibit 1-B in the Chapter 1 Appendix.)

Solution:
a. $8,000 × 40 = $320,000
b. $8,000 × 154.762 = $1,238,096
LO: 2-1
Topic: Future value
LOD: Intermediate
Bloom tag: Apply

2. *Comparing Living Costs.* Luke Anderson is earning $48,000 a year in a city located in the Midwest. He is interviewing for a position in a city with a cost of living 12 percent higher than where he currently lives. What is the minimum salary Brad would need at his new job to maintain the same standard of living?

Solution: $48,000 × 1.12 = $53,760
LO: 2-2
Topic: Cost-of-living considerations and comparisons
LOD: Basic
Bloom tag: Apply

3. *Calculating Future Value of Salary.* During a job interview, Pam Thompson is offered a salary of $32,000. The company gives annual raises of 4 percent. What would be Pam's salary during her fifth year on the job?

Solution:
Year 1: $32,000
Year 2: $32,000 × 1.04 = $33,280
Year 3: $33,280 × 1.04 = $34,611.20
Year 4: $34,611.20 × 1.04 = $35,995.65
Year 5: $35,995.65 × 1.04 = $37,435.47
(Alternate solution: $32,000 × 1.170 (FV$1 4%, 4 years) = $37,440
LO: 2-3
Topic: Future value
LOD: Intermediate
Bloom tag: Apply

4. *Computing Future Value.* Calculate the future value of a retirement account in which you deposit $2,000 a year for 30 years with an annual interest rate of 5 percent. (Use a financial calculator or the tables in the Chapter 1 Appendix.)

Solution: $2,000 × 66.439 = $132,878

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LO: 2-4
Topic: Future value
LOD: Basic
Bloom tag: Apply

5. *Comparing Taxes for Employee Benefits.* Which of the following employee benefits has the greater value? Use the formula given in the *Financial Literacy Calculations* feature to compare these benefits. (Assume a 28 percent tax rate.)
    a. A nontaxable pension contribution of $4,300 or the use of a company car with a taxable value of $6,325.
    b. A life insurance policy with a taxable value of $450 or a nontaxable increase in health insurance coverage valued at $340.

Solution:
a. $4,300 divided by .72 equals a tax-equivalent value of $5,972.22 which would be less than the $6,325 taxable item; the company car has a higher financial value to the employee.
b. $450 times .72 equals an after-tax value of $324 compared to the nontaxable health insurance of $340; the health insurance coverage has a higher financial value.

LO: 2-4
Topic: Taxation and employee benefits
LOD: Advanced
Bloom tag: Apply, Analyze

6. *Comparing Employment Offers.* Bill Mason is considering two job offers. Job 1 pays a salary of $36,500 with $4,500 of nontaxable employee benefits. Job 2 pays a salary of $34,700 and $6,120 of nontaxable benefits. Which position would have the higher monetary value? Use a 28 percent tax rate.

Solution:
Job 1: $36,500 + [$4,500/(1 - 0.28)] = $42,750.
Job 2: $34,700 + [$6,120/(1 - 0.28)] = $43,200.
Based on these calculations, Job 2 would have a higher monetary value.
LO: 2-4
Topic: Job offer comparisons
LOD: Advanced
Bloom tag: Apply, Analyze

7. *Calculating the After-Tax Value of Employee Benefits.* Helen Ming receives a travel allowance of $180 each week from her company for time away from home. If this allowance is taxable and she has a 24 percent income tax rate, what amount will she have to pay in taxes for this employee benefit?

Solution: $180 × 52 weeks = $9,360 × 0.24 = $2,246.40
LO: 2-4
Topic: Taxation and employee benefits
LOD: Basic
Bloom tag: Apply

8. *Future Value of Advanced Training.* Joshua Kelly estimates that taking some classes would result in earning $3,800 more a year for the next 30 years. Based on an annual interest rate of 4 percent, calculate the future value of these classes.

Solution: $3,800 × 56.085 (future value of annuity) = $213,123
LO: 2-5
Topic: Future value
LOD: Basic
Bloom tag: Apply

9. *Comparing the Value of a Career Change.* Marla Opper currently earns $50,000 a year and is offered a job in another city for $56,000. The city she would move to has 8 percent higher living expenses than her current city. What quantitative analysis should Marla consider before taking the new position?

Solution: $50,000 × 1.08 = $54,000 is the amount required in the new city for comparable living expenses; a salary of $56,000 exceeds that amount.
LO: 2-5
Topic: Cost-of-living considerations and comparisons
LOD: Intermediate
Bloom tag: Apply, Analyze

# Chapter 2

# Financial Aspects of Career Planning

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# OVERVIEW OF THE CHAPTER

A person's career and work situation is frequently overlooked in financial planning. Your career will influence the financial resources you have available for spending, savings, and investing. In addition, a career interacts with a person's lifestyle, interests, and values, all of which influence financial decisions. This chapter provides a basic understanding of career planning, job selection, and obtaining an employment position. Included is practical information regarding career information sources, creating a résumé and cover letter, and interviewing. In addition, material on evaluating a job offer, assessing financial benefits, and considering a career change is presented.

## 2.1 Career Choice Factors

LO: Describe activities associated with career planning and advancement.

Career planning and advancement involve the following stages and activities: (1) assess and research personal goals and abilities and career fields; (2) evaluate the employment market and identify specific employment opportunities; (3) develop a résumé and cover letter for use in applying for available positions; (4) interview for available positions; (5) evaluate financial and other factors of the positions you are offered; and (6) plan and implement a program for career development.

## 2.2 Career Opportunities: Now and in the Future

LO: Evaluate factors that influence employment opportunities.

Consider the selection of a career in relation to personal abilities, interests, experience, training, and goals; social influences affecting employment such as demographic trends, changing economic conditions, and industrial and technological trends.

## 2.3 Employment Search Strategies

LO: Implement employment search strategies.

For successful career planning and development, do the following. Obtain employment or related experiences by working or by participating in campus and community activities. Use career information sources to gain insight into employment fields and to identify job opportunities. Prepare a résumé and cover letter that effectively present your qualifications for a specific employment position. Practice the interview skills that project enthusiasm and competence.

## 2.4 Financial and Legal Aspects of Employment

LO: Assess financial and legal concerns related to obtaining employment.

Evaluate the work environment and compensation package of prospective places of employment. Assess employee benefits on the basis of their market value, future value, and taxability, and of your personal needs and goals. Prospective and


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current employees have legal rights with regard to fair hiring practices and equal opportunity on the job.

## 2.5 Long-Term Career Development

LO: Analyze techniques available for career growth and advancement.

Informal and formal education and training opportunities are available to foster professional development and to facilitate career changes.


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## TEACHING RESOURCES

| Section | Title |
|---|---|
| **2.1: Career Choice Factors** | Career Mistakes |
| | Hard Skills vs. Soft Skills |
| | Career Aptitude Tests |
| | Career Interest Survey |
| | |
| **2.2: Career Opportunities: Now and in the Future** | Career Trends |
| | Careers With Growth |
| | GIG Economy Retirement Planning |
| | |
| **2.3: Employment Search Strategies** | Career Networking |
| | Online Job Search |
| | |
| **2.4: Financial and Legal Aspects of Employment** | Evaluating Employee Benefits |
| | Unique Employee Benefits |
| | Negotiating Salary |
| | |
| **2.5: Long-Term Career Development** | Mentoring vs. Coaching |
| | Changing Careers |
| | Career Training Opportunities |


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# 2.1 Career Choice Factors

**Pages: 47 – 51**
**PowerPoint Slides 3 – 8**

**Interactive Resources:**
**Discussion Questions:**
How might different people measure career success?

*Answers will vary*

**Classroom Resources:**

Have students suggest actions for avoiding these career mistakes
Career Mistakes

Have students prepare a summary of their hard and soft skills
Hard Skills vs. Soft Skills

Encourage students to take a career aptitude test
Career Aptitude Tests

Have students take this career interest assessment
Career Interest Survey

**Connect Resources:**
End of Chapter Problems (Static & Algorithmic)

Videos with assignable questions:
*Career Planning Process*
*Career Trade-Offs*

**Section 2.1 Key Concepts:**
**Career Choice Factors**

- Like any other decision, employment selection involves a trade-off among various factors and requires an ongoing reassessment of the situation.

**Trade-offs of Career Decisions**

- While many factors affect your daily living habits and your financial choices, your employment situation probably affects them most.
- Like other decisions, career choice and professional development alternatives have many risks and opportunity costs. The many career choices you make will


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require continual evaluation of trade-offs related to personal, social and economic factors.

**Career Training and Skill Development**

- Your level of formal training is a determinant of your financial success.
- In addition to formal career training, most successful people, employers, and career counselors stress the importance of certain traits that are adaptable to most work situations; these include:
  - An ability to work well with others in a variety of settings.
  - A desire to do tasks better than they have to be done.
  - An interest in reading a wide variety and a large quantity of materials.
  - A willingness to cope with conflict.
  - An ability to anticipate problems.
  - A knowledge of technology and computer software.
  - An ability to solve problems creatively in team settings.
  - A knowledge of research techniques and library resources.
  - Effective written and oral communication skills.
  - An understanding of both their motivation and the motivation of others.

Note: *Exhibit 2-1* shows median weekly earnings for various levels of education.

**Personal Factors**

- **Aptitudes** are natural abilities that people possess.
- Interest inventories determine the activities that give you the most satisfaction.
- A vital ingredient in career choice is flexibility, since change will be an integral part of your working life and the job market.

Note: *Financial Literacy for My Life* provides steps to developing an effective career plan.

**Career Decision Making**

- Because of changing personal and environmental factors, you will need to continually assess your work situation

Note: *Exhibit 2-2* visualizes the stages of career planning and advancement.


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## *Practice Quiz 2-1*

1. How does a job differ from a career?

   A job is an employment position that is usually obtained mainly for money. In contrast, a career is a commitment to a profession that requires continued training and offers a clear path to occupational growth.

2. What opportunity costs are associated with career decisions?

   Career trade-offs include making less money for personal satisfaction, not taking a promotion that requires moving, working part-time in order to spend time with family, and owning your own business instead of working for someone else.

3. What skills would be of value in most employment situations?

   Working well with others, a desire to improve, a wide variety of reading interests, coping with conflict, adapting to change, anticipating problems, computer knowledge, working in teams, creative problem solving, research ability, communication skills, and understanding motivation.


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# 2.2 Career Opportunities: Now and in the Future

**Pages: 51 – 54**
**PowerPoint Slides 9 – 13**

**Interactive Resources:**
**Discussion Question:**
What actions could a person take to have skills that are always in demand?

*Choose a career in an industry with growing employment potential such as IT, Health Care, Environmental Services or Business Services.*

**Classroom Resources:**

How might a person prepare for jobs with the most potential for the future?
Career Trends

What factors affect demand for various jobs?
Careers With Growth

What are benefits and drawbacks for gig economy workers?
GIG Economy Retirement Planning

Supplemental Activity

**Connect Resources:**
End of Chapter Problems (Static & Algorithmic)

**Section 2.2 Key Concepts:**

- Your decision to work in a specific field is influenced by three factors.

**Social Influences**

- Various demographic and geographic trends are influencing employment opportunities.
- More working parents, increased leisure time, an increase in the number of older people, and increased demand for employment training are some trends affecting the job market.

Note: *Exhibit 2-3* lists potential variables in career opportunities.


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- With more college-educated people entering the work force, the job market is becoming more competitive.
- Changes in location of job and regional salaries influence employment opportunities and demand for available positions.

**Economic Conditions**

- In certain industries, high interest rates, price increases, or reduced demand for goods and services can restrict career opportunities.

**Industry Trends**

- Increased foreign competition and changing automation have reduced the demand for manufacturing jobs.
- Fields that are expected to have the greatest employment potential in the near future are:
  - Information technology
  - Health care and medical technology
  - Environmental services
  - Business services
  - Social services
  - Sales and retailing
  - Hospitality and food services
  - Management and human resources
  - Education
  - Financial services

Note: *Financial Literacy for My Life* provides several career trends for entrepreneurs.


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## *Practice Quiz 2-2*

1. What are some demographic and economic factors that affect career opportunities?

   The availability of jobs is affected by economic conditions (interest rates, consumer demand) and social influences (two-income families, single parent households, people living longer).

2. How does technology affect available employment positions?

   Technology decreases the need for manual workers and increases the need for technical skills.


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# 2.3 Employment Search Strategies

**Pages: 55 – 60**
**PowerPoint Slides 14 – 19**

**Interactive Resources:**
**Discussion Question:**
How could you effectively use networking to advance your job search?

*Prepare a short 30 second "elevator speech", volunteer for committees and professional organizations, talk to other professionals about themselves and their experiences.*

**Classroom Resources:**

What actions have you taken in the past related to career networking?
Career Networking

What aspects of online career planning activities are not covered in this video?
Online Job Search

**Connect Resources:**
End of Chapter Problems (Static & Algorithmic)

Videos with assignable questions:
*Effective Résumés*

**Section 2.3 Key Concepts:**

- A variety of techniques can assist you in expanding your experience, assessing employment opportunities, and applying for your next position.

**Obtaining Employment Experience**

- Work experience may be gained through:
- Part-time or summer employment
- Cooperative education programs
- Volunteer work
- Internships
- Class assignments
- Campus projects and activities


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**Using Career Information Sources**

- The main sources of career information are:
  - Library materials
  - Media career information
  - Online sources

Note: *Exhibit 2-4* provides sources for career information.

- Career development office
- **Networking** is the process of making and using contacts to obtain and update career information, through community organizations, professional associations, and business and personal contacts
- An **informational interview** is a meeting designed to gather information about a career or organization.

Note: The *How To* feature (textbook page 58) provides tips for navigating a changing job market.

**Identifying Job Opportunities**

- Advertisements for employment opportunities were previously found in newspapers and other print media. While some still exist, nearly all job listings are now online.
- In addition to newspaper websites, check for available positions offered through professional organizations, trade associations, online sources, and the contacts you develop through campus activities and career fairs.
- In an attempt to work in a specific career or for a particular company, match your interests and abilities with the needs of an organization.
- For-profit and government-supported employment agencies are another source for finding available positions.
- After researching a particular company or industry, design a presentation that communicates how your abilities could contribute to that organization.
- **Job creation** involves developing an employment position that matches your skills with the needs of an organization.
- With a very large percentage of available jobs not advertised to the general public, other job search techniques should be considered.
- Visit places you would like to work and make face-to-face contacts.
- Consider every type of organization for available positions.
- Develop a job description outlining the skills you can offer.
- Work as many hours a week *getting* a job as you expect to work *on* the job.


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**Applying for Employment**

- The **résumé**, a summary of education, training, experience, and qualifications, provides prospective employers with an overview of your potential contributions to an organization.
- A **cover letter** is the correspondence you send with a résumé to communicate your interest in a job and to obtain an interview.
- The **interview** is the formal meeting used to discuss your qualifications in detail.


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## *Practice Quiz 2-3*

1. How can a person obtain employment-related experiences without working in a job situation?

   Employment-related experiences may be obtained through an internship program, cooperative education, volunteer work with community organizations, class assignments, and campus activities.

2. What types of career information sources can be helpful in identifying job opportunities.

   Helpful career information sources include library materials, newspapers, magazines, the Internet, career development office, community organizations, professional associations, and business contacts.

3. How does the information in a cover letter differ from the information in a résumé?

   The cover letter points out and expands on specific training and experiences listed on the résumé that are important in the employment position for which a person is applying.


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# 2.4 Financial and Legal Aspects of Employment

**Pages: 61 – 64**
**PowerPoint Slides 20 – 23**

**Interactive Resources:**
**Discussion Question:**
What are several factors used to determine if a company is making a competitive offer?

*Corporate culture, policies, salary, responsibilities, taxable and non-taxable benefits.*

**Classroom Resources:**

What factors affect the employee benefits selected by most people?
Evaluating Employee Benefits

Have students suggest employee benefits that would be of value for various household and life situations
Unique Employee Benefits

Based on the article, ask students to suggest actions for negotiating salary
Negotiating Salary

**Connect Resources:**
End of Chapter Problems (Static & Algorithmic)

Videos with assignable questions:
*Tax-Equivalent Employee Benefits*


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**Section 2.4 Key Concepts:**

- Carefully assess the organization, the specific employment position, and the salary and other financial benefits when evaluating an employment position.

**Accepting an Employment Position**

- Before accepting a position, you may want to do further research about the job and the company.
- You should look into company policies and procedures.

**Evaluating Employee Benefits**

- Financial benefits may be viewed in three time frames:
  1. Immediate, or short-term, benefits include salary and other monetary payments.
  2. Interim benefits include holidays, vacation, insurance, tuition reimbursement, and discounts.
  3. Long-term benefits involve profit sharing and retirement programs.
- Your initial salary will be influenced by your education and training, company size, and salaries for comparable positions.
- Performance quality and work responsibilities are main influences on salary advances.
- **Cafeteria-style employee benefits** are programs that allow workers to base their job benefits on a credit system and personal needs; the system allows flexible selection of employee benefits.

Note: *Financial Literacy for My Life* demonstrates how some companies are offering creative employee benefits.

- Many organizations offer *flexible spending plans*, also called *expense reimbursement accounts*. This arrangement allows employees to set aside part of their salary for paying medical or dependent care expenses.
- Two methods may be used to assess the monetary value of employee benefits:
  1. **Market value** calculations determine the specific monetary value based on the cost if the employee has to pay for the item.
  2. **Future value** calculations can enable you to assess the long-term worth of such employee benefits as pension program and retirement plans.
- A **tax-exempt** benefit is one on which you won't have to pay income tax, but a **tax-deferred** benefit will result in the payment of income tax at some time in the future, such as at retirement.

**Your Employment Rights**

- You have various legal rights both during the hiring process and on the job; these include:
  - No discrimination in the selection process.
  - Minimum wage and overtime pay in certain situations.


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- Worker's compensation, Social Security, and unemployment insurance.


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## *Practice Quiz 2-4*

1. How does a person's life situation determine the importance of certain employee benefits?

   Personal needs and those of other household members will influence the selection of various employee benefits. Different life situations will affect a person's emphasis on insurance benefits, child and dependent care benefits, and opportunities for additional vacation time or advanced training.

2. What methods can be used to measure the monetary value of employee benefits?

   Market value and future value calculations can be used to compare employee benefits.


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# 2.5 Long-Term Career Development

**Pages: 64 – 66**
**PowerPoint Slides 24 – 30**

**Interactive Resources:**
**Discussion Question:**
Is a person's advancement in an organization usually the result of skills and initiative or personal contacts?

*Answers will vary; both skills and contacts are very important to advancement.*

**Classroom Resources:**

How might mentoring and coaching be of value to you for career development?
Mentoring vs. Coaching

What actions might a person take when considering a career change?
Changing Careers

Based on this information, have students prepare a brief career training plan for their future
Career Training Opportunities

**Connect Resources:**
End of Chapter Problems (Static & Algorithmic)


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**Section 2.5 Key Concepts:**

- Every day of your work life, you can perform duties that will contribute to your career success. Communicating and working well with others will enhance your chances for financial advancement and promotion.

**Training Opportunities**

- Society requires a continual updating of information and skills.
- Various methods for updating and expanding your knowledge are available.
  - Formal methods include company development activities, seminars offered by professional organizations, and graduate and advanced college courses.
  - Informal methods for obtaining knowledge include reading and discussion with colleagues.

Note: *Exhibit 2-5* visualizes the stages of career development.

**Career Paths and Advancement**

- Like any other financial decisions, previous employment decisions must be reevaluated in light of changing economic and social conditions.
- A successful technique for coping with the anxieties associated with career development is to gain the support of an established person in your field. A **mentor** is an experienced employee who serves as a teacher and counselor for a less experienced person in a career field.

**Changing Careers**

- Changing jobs may be more difficult than selecting your first job. Indications that it is time to move on include:
  - Weak motivation
  - Emotional distress
  - Poor performance evaluations
  - A lack of social interactions
  - Limited opportunity for advancement
  - A poor relationship with your superior
- Carefully assess the financial and personal costs and benefits of changing careers; then determine whether a career change will serve your needs and goals and those of your household.


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## *Practice Quiz 2-5*

1. What types of activities would you recommend for people who desire career advancement and professional growth?

   For increased personal and economic career advancement, improved daily work habits can be a key to success. In addition, improvements in your communication and human relations skills are also beneficial. Continuing education such as personal study, formal courses, and professional seminars will also increase your chances of financial and economic advancement.

2. What factors should a person consider before changing jobs or career fields?

   A person should consider the personal and financial costs of the job change along with determining how the new situation will serve personal needs and goals


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## Concluding Activities

- Use the "Your Personal Finance Roadmap and Dashboard" feature to highlight career planning activities for various ages and life situations.
- Point out the summary of learning objectives and key terms in the text margin.
- Discuss selected end-of-chapter Financial Planning Problems, Financial Planning Activities, Financial Planning Case, and Continuing Case.
- Use the Chapter Quiz in the *Instructor's Manual.*

**CHAPTER 2 QUIZ ANSWERS**

| *True-False* | *Multiple Choice* |
|---|---|
| 1. T (p. 49) | 6. C (p. 49) |
| 2. F (p. 49) | 7. C (pp. 51-52) |
| 3. F (p. 57) | 8. A (pp. 56-57) |
| 4. T (p. 60) | 9. D (p. 60) |
| 5. T (p. 60) | 10. D (p. 66) |


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Name _____ Date _____

## CHAPTER 2 QUIZ

### TRUE - FALSE

_____1. Education level is a major influence on a person's potential earning power.
_____2. Aptitude tests measure a person's interests related to different types of work.
_____3. An informational interview has the purpose of obtaining employment in a specific job position.
_____4. A chronological résumé is most appropriate for individuals with a continuous school and work record leading to a specific career area.
_____5. The purpose of a screening interview is to reduce the number of candidates for a job to a workable number.

### MULTIPLE CHOICE

_____6. An interest inventory is designed to measure
a. aptitudes.
b. future earning power.
c. the most satisfying job activities.
d. success in various school courses.

_____7. An example of a social influence on career opportunities would be
a. foreign competition.
b. lower interest rates.
c. longer life expectancy.
d. increased automation of office skills.

_____8. Professional associations would be most helpful in career planning by
a. providing information on training for a career area.
b. listing jobs available for graduating students.
c. assisting in finding government employment.
d. interviewing prospective employees for companies.

_____9. The item least likely to be included on a résumé is
a. school experience.
b. community service activities.
c. a home address.
d. references.

_____10. Which of the following is a valid reason to move on from a current job?
a. low motivation toward your current work
b. physical or emotional distress caused by your job
c. limited opportunity for salary or position advancement
d. all of the above


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## Supplemental Activity

### How Satisfying Is Your Current Job?

For each of the following items, answer yes or no:

| Yes | No | |
|---|---|---|
| ___ | | 1. I enjoy the work I'm doing. |
| ___ | | 2. I have opportunities to develop my special talents. |
| ___ | | 3. My job is usually challenging. |
| ___ | | 4. The pay and financial benefits are appropriate. |
| ___ | | 5. I have good job security. |
| ___ | | 6. I rarely have conflicts on the job. |
| ___ | | 7. There are reasonable opportunities for promotion. |
| ___ | | 8. Promotions are handled fairly. |
| ___ | | 9. Management appreciates my efforts. |
| ___ | | 10. I get enough direction and support from |
| ___ | | 11. My work environment is friendly and congenial. |
| ___ | | 12. I can choose when I want to take time off. |


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If you answered:

| | | |
|---|---|---|
| Yes 9-12 times | — | You are relatively happy and satisfied in your work. |
| Yes 6-8 times | — | Like most people, your job has good and bad points. Make efforts to improve any areas of major concern. |
| Yes 3-5 times | — | Your job is only tolerable. Try to reposition your duties or consider a move. |
| Yes 0-2 times | — | This job is not meeting your needs. A change is almost inevitable. Consider retraining or an advanced degree. |


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## FINANCIAL PLANNING PROBLEMS

**1.** Jenny Lopez estimates that as a result of completing her master's degree, she will earn $8,000 a year more for the next 40 years. (LO 2.1)

*a.* What would be the total amount of these additional earnings?

$8,000 × 40 = $320,000

*b.* What would be the *future value* of these additional earnings based on an annual interest rate of 6 percent? (Use a financial calculator or Exhibit 1-B in the Chapter 1 Appendix).

$8,000 × 154.762 = $1,238,096

**2.** Luke Anderson is earning $48,000 a year in a city located in the Midwest. He is interviewing for a position in a city with a cost of living 12 percent higher than where he currently lives. What is the minimum salary Luke would need at his new job to maintain the same standard of living? (LO 2.2)

$48,000 × 1.12 = $53,760

**3.** During a job interview, Pam Thompson is offered a salary of $32,000. The company gives annual raises of 4 percent. What would be Pam's salary during her fifth year on the job? (LO 2.3)

Year 1: $32,000
Year 2: $32,000 × 1.04 = $33,280
Year 3: $33,280 × 1.04 = $34,611.20
Year 4: $34,611.20 × 1.04 = $35,995.65
Year 5: $35,995.65 × 1.04 = $37,435.47
(Alternate solution: $32,000 × 1.170 (FV$1 4%, 4 years) = $37,440)

**4.** Calculate the future value of a retirement account in which you deposit $2,000 a year for 30 years with an annual interest rate of 5 percent. (Use a financial calculator or the tables in the Chapter 1 appendix.) (LO 2.4)

$2,000 × 66.439 = $132,878

**5.** Which of the following employee benefits has the greater value? Use the formula given in the *Financial Literacy Calculations* feature to compare these benefits. (Assume a 28 percent tax rate.) (LO 2.4)


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*a.* A nontaxable pension contribution of $4,300 or the use of a company car with a taxable value of $6,325.

$4,300 divided by .72 equals a tax-equivalent value of $5,972.22 which would be less than the $6,325 taxable item; the company car has a higher financial value to the employee.

*b.* A life insurance policy with a taxable value of $450 or a nontaxable increase in health insurance coverage valued at $340.

$450 times .72 equals an after-tax value of $324 compared to the nontaxable health insurance of $340; the health insurance coverage has a higher financial value.

**6.** Bill Mason is considering two job offers. Job 1 pays a salary of $36,500 with $4,500 of nontaxable employee benefits. Job 2 pays a salary of $34,700 and $6,120 of nontaxable benefits. Which position would have the higher monetary value? Use a 28 percent tax rate. (LO 2.4)

*Job 1: $36,500 + [$4,500/(1 − 0.28)] = $42,750.*
*Job 2: $34,700 + [$6,120/(1 − 0.28)] = $43,200.*

**7.** Helen Ming receives a travel allowance of $180 each week from her company for time away from home. If this allowance is taxable and she has a 24 percent income tax rate, what amount will she have to pay in taxes for this employee benefit? (LO 2.4)

$180 × 52 weeks = $9,360 × 0.24 = $2,246.

**8.** Joshua Kelly estimates that taking some classes would result in earning $3,800 more a year for the next 30 years. Based on an annual interest rate of 4 percent, calculate the future value of these classes. (LO 2.5)

$3,800 × 56.085 (future value of annuity) = $213,123.00

**9.** Marla Opper currently earns $50,000 a year and is offered a job in another city for $56,000. The city she would move to has 8 percent higher living expenses than her current city. What quantitative analysis should Marla consider before taking the new position? (LO 2.5)

$50,000 × 1.08 = $54,000 is the amount required in the new city for comparable living expenses; a salary of $56,000 exceeds that amount.


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## FINANCIAL PLANNING ACTIVITIES

1. *Researching Career Planning Activities.* Talk to several people about what influenced their current employment situation. How did personal, economic, and social factors affect their career choices and professional development? (LO2.1)

   Answers will vary.

2. *Searching for Benefit Information.* Search online to obtain information about current trends for employee benefits such as health insurance, retirement plans, child care, life insurance, tuition reimbursement, and others. What employee benefit would you recommend companies offer to attract and retain employees? (LO2.3)

   Answers will vary.

3. *Obtaining Career Advancement Information.* Talk with people employed in varied career settings (large corporation, international company, individual entrepreneur, non-profit, government) about training and professional development activities they have found most valuable. Create a list of competencies, skills, and technical abilities that you would like to develop over the next few years. What actions will you take to obtain those items for your career success? (LO2.5)

   Answers will vary.

## Financial Planning Case

1. What steps might Alexia take when deciding which position to accept?

She should assess her personal values and goals in relation to the various factors for each position. In addition, Alexia might talk with people who work for these or similar organizations about the work employment and other factors.

2. What additional factors would you consider when selecting an employment position?

While answers will vary, students should provide specific responses related to current career interests and future potential career goals. Encourage students to provide specific actions that they might take to enhance their career planning activities.

3. Which employment position would you recommend for her? Why?


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Answers will vary. Encourage student to provide a detailed explanation for their responses.

## Continuing Case

Most responses will vary are they are a personal reflection of skills.

1. Technical skills are a very important selling point for potential employees in the workforce.

A. Prepare a comprehensive list of technical skills that you possess.
B. Conduct online research to determine the technical skills that are most sought after by companies today and compare them to your personal list.
C. In which areas are you most competent?
D. In which areas could you use training to increase your employability?

2. Thinking back on your previous work experiences:

A. Prepare a list of traits that contribute to your level of social intelligence.
B. Reflect on those traits that you might emphasize in an interview and develop a plan to increase your skills in areas in need of improvement.

3. Kayla and Jamie discuss the importance of choosing a career that is balanced between being self-rewarding and also in a field that is sought after in the industry.

A. Based on online research, identify the most sought-after career positions in the area of your degree pathway.
B. Are those career opportunities located locally, in specific regions of the United States, or international?
C. What are the salary ranges for the career pathway you have chosen?
D. Based on your research, what are the future trend predictions for your choice of career area?


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