

Chapter 6 Case Study**Tools**

- graphing calculator

Financial Advisor

- Cassandra Lemington became interested in business during her third year of high school.
- After graduating, she attended college in Barrie, Ontario, and earned a certificate in financial planning (CFP).
- Cassandra was employed by a bank and worked under a senior planner until she became familiar with the services provided. Currently, she earns \$42 000 per year.
- Besides having good computational skills, Cassandra's position requires a person with an outgoing personality and people skills.

Questions

A guaranteed investment certificate (GIC) is a common way of investing money safely at a financial institution. Generally, several options are available for a customer wishing to invest. One day, a customer sought advice from Cassandra regarding two plans.

1. The first plan is called a 5-Year Stepper GIC. Interest is compounded annually, but each year the interest rate increases. The rates are shown in the table.

Year	Interest Rate (%)
1	0.5
2	1.25
3	2.5
4	2.75
5	5.0

If a customer invested \$2000 in this plan, what would be the value of the investment after 5 years?

2. A more standard GIC pays 2%, compounded annually, for 5 years. Should Cassandra recommend the customer invest in the 5-Year Stepper plan, or the standard GIC? Why?
3. One of the competitors of the bank where Cassandra works is offering a GIC secured for 4 years at a rate of 2.85%, compounded annually. Which institution is offering the better deal? Explain.

