

# Advanced Conversations in English

Finance Conversations

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## Course Description

The Advanced Conversations in English courses are the most advanced materials in our English conversation course series. They were created for higher-level English language learners, from high school students to professionals, who are interested in business and medical topics and want to work with more complex texts, speech patterns, and cultural nuances. These courses can be used in the classroom or during independent study. We encourage learners wishing to take the Advanced Conversations courses to have a working proficiency in English and have some relevant experience with business topics and concepts.

Learners will be exposed to and asked to interact with business language in the form of reports, presentations, negotiations, telephone conversations, emails, blogs, websites, and more within three main topics: Medical, Finance, and Sales & Marketing.

Skills practiced in the courses include:

- Intensive listening
- Speaking
- Textual/situational analysis
- Writing/spelling
- Idiomatic language comprehension
- Tone, style and knowledge of communication methods

### Course Length

Advanced Conversations in English contains 16 hours of study (16 topical units) broken up into medical, finance, and sales and marketing categories.

### Unit and Lesson Structure

Each unit in the Advanced Conversations Courses is centered around a topic and contains three lessons related to that topic. For example, in the Finance course, the Auto Insurance unit contains three lessons.

# BROWSE

CATEGORIES
 < ...
 < FINANCE CONVERSATIONS
 < AUTO INSURANCE

LESSON

Auto Insurance - Introduction: Auto Insurance Quote

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LESSON

Auto Insurance - Conversation: Auto Insurance Coverage

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LESSON

Auto Insurance - What Would You Say: Car Accident

*In the Auto Insurance unit, learners are presented with an auto insurance quote that details a new client's insurance coverage.*

- Lesson 1 sets the context of the situation and introduces the unit topic. Lesson 1 activities involve reading and analyzing a text, image, or recording and drawing conclusions.

View the image on the left, then respond to the prompts on the right

NEW JERSEY PREMIER INSURANCE SERVICES

Payments | My Policy | ID Cards | Discounts | Claims | Personal Info

**Joanna Hamilton,**

Purchase your policy today for your **2010 ACURA TL AWD** at **\$243.97 per month** or **6-month total policy premium: \$1,313.80!**

*(Save \$150 by paying for 6-months)*

### QUESTIONS

Which of the following liability coverages requires a deductible?

- property damage liability
- personal injury protection
- comprehensive
- limitation on lawsuit

Which best describes the term "premium"?

*In the Auto Insurance unit, learners are presented with a conversation where an insured client discusses her coverage with an insurance representative.*

- Lesson 2 involves a conversation about the unit topic. Lesson 2 activities include fill in the blank and dictation that require learners to interact with challenging lexical items and structures found in the conversation as well as a comprehension activity to test understanding.



English • What Would You Say?

0 % Complete

REFERENCE

MENU

SHORTCUTS (CTRL + H)

Sam was recently in a multi-car accident that totaled her car as well as two other cars that were involved. She filed a claim with her insurance company and is now on the phone with an insurance representative.

Hello, my name is Sam and I was recently in a car accident. I filed a claim with United Insurance Services and just received a letter requiring additional information from me. My claim number is 856978.

Hi, Sam. I'll be happy to help you. I just need to ask you a few questions first about your so-called accident. Did you get messed up, at all?

Thank you, Sam. I have your claim in front of me, and we just need to quantify some details before cutting you a check. Were you injured at all?

Thank you for the information. I'll be happy to assist you with that. Yes, we just had a few questions to clarify your insurance claim. Were you injured in this accident? Did you receive any medical treatment?

## Course focus

These courses are centered around conversations that challenge learners to understand concepts and recognize contexts for domain-specific words. Conversations in a business setting contain many important language strategies needed for fluency: identifying yourself, making small talk, stating initial positions, making clarifications, discussing concessions, giving the history or results of a situation, brainstorming solutions, and more.

These courses are not meant to serve as a comprehensive how-to guide in the domain, but rather to deliver written and spoken material in business situations and allow learners to gain familiarity with new terms in context. Learners are required to use their logic and language skills to complete the lessons.

# Auto Insurance

## Unit Objectives

### **Introduction:**

Read through an auto insurance quote and see what coverage a customer chose for her new car.

### **Conversation:**

Joanna Hamilton requested an auto insurance policy quote online and wants to know more about the different liability coverages included in the quote. She decides to call customer service and see if someone can further explain each liability coverage.

### **What Would You Say?**

Choose what you would say in a conversation between a woman involved in a multi-car accident and an insurance representative.

## Introduction: Auto Insurance Quote

←

→


↺

Secure

https://www.newjerseypremierinsuranceservices.com/quote

☆

⋮




NEW JERSEY PREMIER INSURANCE SERVICES

Payments | My Policy | ID Cards | Discounts | Claims | Personal Info

Joanna Hamilton,

Purchase your policy today for your **2010 ACURA TL AWD** at  
**\$243.97 per month** or **6-month total policy premium: \$1,313.80!**  
*(Save \$150 by paying for 6-months)*

Continue to Purchase



YOUR AUTO INSURANCE QUOTE

COVERAGE	COVERAGE AMOUNT/DEDUCTIBLE	PRICE
<div><b>New Jersey Limitation on Lawsuit</b> <i>*New Jersey requires this coverage</i></div> <div>Allows you to recover all medical and out-of-pocket expenses, but you agree not to sue the person who caused the accident for pain and suffering/ non-monetary damages, unless defined as serious.</div>	<div>Limitation on Lawsuit</div>	Included
<div><b>Bodily Injury Liability</b> Pays if you are responsible for another person's injury or death in an auto accident. Includes driver's legal defense.</div>	<div>\$100,000 per person/\$300,000 per incident</div>	\$339.70
<div><b>Property Damage Liability</b> Pays for damage to other's property resulting from an at-fault accident.</div>	<div>\$100,000</div>	\$182.40



**Uninsured & Underinsured  
Motorist**

Includes personal injury and  
property damage caused by  
uninsured or hit-and-run drivers.

\$15,000 per person/\$30,000 per incident



\$28.50

**Personal Injury Protection**

Pays reasonable expenses for  
necessary medical services, lost  
wages and replacement services,  
regardless of fault.

\$15,000/\$2,500 deductible



\$288.50

**Health Insurance as Primary PIP Provider?**



Yes



No

**Comprehensive**

\*Leased or Financed Vehicles  
require Comprehensive  
Pays for vehicle damage due to,  
among other causes, theft,  
vandalism, or fire.

\$500 deductible



\$67.40

**Collision**

\*Leased or Financed Vehicles  
require Collision  
Pays for vehicle damage caused  
by a collision, regardless of fault.

\$500 deductible



\$407.30

**Emergency Road Service**

Declined by client

**Rental Reimbursement**

Declined by client

**Total 6 Month Premium:**

**\$1,313.80**

Which of the following liability coverages requires a deductible?	property damage liability	
	personal injury protection	
	comprehensive	x
	limitation on lawsuit	
Which best describes the term “premium”?	policy	
	price	x
	insurance	
	coverage	
According to this information, how much would Joanna pay for insurance yearly?	\$243.97	
	\$1313.80	
	\$1463.82	
	\$2627.60	x
Which of these coverages will pay for medical bills and lost wages, even if you are responsible for the car accident?	New Jersey limitation on lawsuit	
	comprehensive	
	personal injury protection (PIP)	x
	uninsured & underinsured motorist	
Which of the following does not cover damage to a vehicle?	bodily injury liability	x
	property damage liability	
	comprehensive	
	collision	

### Conversation: Auto Insurance Coverage

Insurance Representative	Good afternoon! Thank you for calling Premier Insurance Services. My name is Eric. How may I help you today?
Joanna	Hello! I recently went on your website and requested an online quote for a car insurance policy.
Joanna	Up until now, my parents paid for my insurance, so I am a little confused by all the different liability coverages I need to pay for and would like to know if you can further clarify them for me.
Insurance Representative	Sure, I would be happy to help you with that. Which liability coverages did you need clarification on?
Joanna	Well, I would like to go through all of them if that is possible. The first one is bodily injury liability. What is it and how much coverage do you suggest?
Insurance Representative	Bodily injury liability pays the medical bills of people who are injured in an accident that you caused.
Insurance Representative	The minimum amount you can choose in our state is \$15,000/\$30,000 which means insurance will cover \$15,000 per person up to a maximum total of \$30,000 for all injuries in the entire accident.
Joanna	How much coverage do you recommend?

Insurance Representative	For all the different liability coverages that we will go through now, I recommend you take the highest amount you can afford.
Insurance Representative	The minimum amount that New Jersey requires will most likely not be enough to cover an accident if you were found at fault.
Joanna	Ok, I understand. Well, can you tell me a little about property damage liability?
Insurance Representative	Property damage liability pays for other people's damaged possessions because of an accident that was your fault.
Insurance Representative	For example, this coverage could pay to fix someone's fence if you crashed your car into it. The minimum amount required by law is \$5,000.
Joanna	I should definitely choose higher than \$5,000. I just fixed my washing machine and that cost \$900. What if I crashed into a building or a parked car?!
Insurance Representative	Hopefully you don't crash into a building! But if you did, you'd be covered! For the best cost-to-coverage ratio, we suggest \$25,000 to \$30,000, but it's ultimately up to you and your budget.
Insurance Representative	Let's now talk about personal injury protection, or PIP. This liability coverage helps to pay for your medical bills, lost wages, and funeral costs, to name a few.
Insurance Representative	You may have also heard this called "no-fault", since it does not matter who is at fault for the accident to receive this coverage. The minimum amount is \$15,000.
Joanna	Ok, thanks. Another liability coverage that I don't understand is comprehensive. What does this cover?
Insurance Representative	Comprehensive pays for damage to your car that was not caused by an actual car accident. This might include robbery, theft, or a natural disaster.
Insurance Representative	For comprehensive coverage, you will have to choose a deductible as well.
Joanna	What is a deductible?
Insurance Representative	In the event you file a claim with your insurance company, a deductible is the amount of money you must pay up front before the insurance company will begin to pay the rest of the bill.
Joanna	I am not completely following. Can you give me an example?
Insurance Representative	Sure! Let's say a tree fell on your car and you file a claim with your insurance company. The insurance company assesses the damage to be worth \$2,000.
Insurance Representative	Now let's say you have a \$500 deductible. Before insurance will start paying toward fixing your car, you will have to pay the \$500, which is your deductible, then they pay the remaining \$1,500 bill.
Joanna	Oh, I understand! Ok, and the last liability coverage that I had a question about was collision. What does collision cover?

Insurance Representative	This is the coverage people usually associate with car insurance. It pays to fix or replace a car that's been damaged in an accident that is your fault.	
Insurance Representative	You will also need to choose a deductible with collision coverage.	
Joanna	Well, thank you for clarifying everything for me. I definitely have a better grasp on what each liability covers.	
What does the \$30,000 represent when referring to \$15,000/\$30,000 in bodily injury liability coverage?	Insurance will cover \$30,000 per person in an accident.	
	The maximum amount of coverage allowed in the state is \$30,000.	
	You have to repay \$30,000 to the insurance company in the event of an accident.	
	Insurance will cover up to a total of \$30,000 for all injuries in the entire accident.	x
How much property damage liability does the insurance agent recommend?	\$15,000	
	\$30,000	
	as much as the customer can afford	x
	the state-required minimum	
What term describes the amount of money you must pay before an insurance company will begin to pay to fix damage?	liability	
	coverage	
	down payment	
	deductible	x
Which of the insurance policies does the agent call a "no-fault" policy?	comprehensive	
	collision	
	personal injury protection	x
	property damage liability	
What is covered by collision insurance?	damage to your car due to vandalism	
	damage to a building after you collide with it	
	damage to your car due to an accident with another car	x
	medical expenses due to an accident you caused	
Which of these would not be covered by comprehensive insurance?	damage or missing items due to robbery	
	theft of the vehicle	
	damage caused by a flood, tornado, etc.	
	damage caused by an automotive accident	x

## What Would You Say: Car Accident

Sam was recently in a multi-car accident that totaled her car as well as two other cars that were involved. She filed a claim with her insurance company and is now on the phone with an insurance representative.

**Hello, my name is Sam and I was recently in a car accident. I filed a claim with United Insurance Services and just received a letter requiring additional information from me. My claim number is 856978.**

Hi, Sam. I'll be happy to help you. I just need to ask you a few questions first about your so-called accident. Did you get messed up, at all?

The expression "so-called" is rude, as it implies the insurance representative's disbelief that the accident occurred. Also, the use of the colloquialism "messed up" is unprofessional.

Thank you, Sam. I have your claim in front of me, and we just need to quantify some details before cutting you a check. Were you injured at all?

The response includes a word used incorrectly. "Quantify" (measure the quantity/number of) should be qualify (the right to receive a benefit).

Thank you for the information. I'll be happy to assist you with that. Yes, we just had a few questions to clarify your insurance claim. Were you injured in this accident? Did you receive any medical treatment?

x

**The insurance representative follows up on Sam's medical needs and tries to determine who was at fault.**

**Yes, I was taken to the emergency room because of a neck injury. The doctor also referred me to do 3 to 4 months of physical therapy.**

I am sorry to hear that. It seems that this was a no-fault accident due to poor weather conditions. As a result, your insurance will cover your medical bills through your personal injury protection (PIP) liability coverage. Your coverage limit is \$100,000, so your medical bills should be fully covered.

x

I am sorry to hear that, Sam. We're going to state on your claim that this was a no-fault accident due to poor weather conditions. This will make any pending lawsuits against you much more difficult to proceed. Remember to stick to that story.

This reply is unprofessional (talking about a law suit/legal action), and implies deceit (that the insurance agent will help Sam fool the legal system due to her accident).

The insurance representative continues to look up information on Sam's claim. Sam's policy includes collision coverage.		
Great. Thank you. How about my car? I know it's been declared a total loss. Will I receive money to purchase a new one?		
Your collision coverage will be covering the actual cost to replace your car. You will be receiving a check within the next few weeks once we've filed all the paperwork.	x	
Since your automobile was lost, we need to recover it before we can give you any money for it.		This response is incorrect, indicating that the representative doesn't understand the meaning of a total loss (has no value).
Your policy is only as good as the agent who sold it, ma'am. That's our promise to you.		This is not a direct answer to the prompt, and is possibly untrue. Insurance policies should not vary based on the insurance agent who set them up.
The insurance representative informs Sam how they calculate the payment check.		
Do you know how much money I will be receiving? I only bought the car a year ago so it's still practically new.		
United Insurance Services will use an estimator, in consultation with one of our adjustors, to evaluate the final payout you will receive. Unfortunately, it may not be what you purchased the car for.		An "estimator" is not a real word.
Unfortunately, you will only be receiving a check for the book value of the car on the day of the accident and not what you purchased the car for. You will also have to pay a \$250 deductible before United Insurance Services issues a check.	x	
The insurance representative sympathizes with Sam.		
That's disappointing, since everyone knows that a car loses the most value in the first year due to depreciation.		
Yes, it is unfortunate. At least you will recover most of the car's value though.	x	
I know. It's not worth it. That's why you shouldn't have wasted your money on a brand new car.		This reply is inappropriate, opinionated, and unhelpful.
The insurance representative confirms he has received all the information he needs.		
Well, thank you for your help!		
No problem. That's what I am paid for.		It is unprofessional to say that you are paid to be nice to customers (even if it's true).
Is there anything else I can assist you with?	x	
I can stay on the line if you need me.		This is also inappropriate and overly familiar.

The insurance representative thanks Sam for her phone call.

No, that will be it for today. Thank you!

Thank you for calling United Insurance Services! Have a great day!

x

Thank you, ma'am. And on behalf of everyone at United Insurance Services, we're fairly pleased that you survived the accident.

By saying he is "fairly pleased" about the customer's survival, the insurance representative seems insincere and rude.

You will receive a survey from United Insurance Services in a day or two. Please give me a great review! And, thanks!

The phrase "Please give me a great review" is unprofessional.

# Lease or Finance a Car

## Unit Objectives

### **Introduction:**

Read an Internet advertisement for a new car and see how car companies promote lease and financing deals.

### **Conversation:**

Kayla is looking to purchase a new car. After doing some research online and looking at several cars, she chose a four-door sedan at a dealership. After making her decision, Andrew, the sales associate, invites Kayla into his office, to speak about her payment options.

### **What Would You Say?**

Choose what you would say in a conversation between a young entrepreneur and a car salesman as they discuss whether he should lease or finance a new sports car.



# New 2017 Toyota Camry XLE



MSRP:

~~\$27,638~~

Internet Price:

**\$23,590**

- ✓ 4 Cylinder – 2.50 L
- ✓ 6-Speed Automatic
- ✓ Exterior Color: White (Blizzard Pearl)
- ✓ Interior Color: Stratus Gray
- ✓ Front-Wheel Drive
- ✓ 24 city / 33 MPG hwy

Leases as low as

**\$199**

per month.

36 Months

\$2,999 due at signing  
12k miles/year

*\*additional terms apply*



In 2017, consumers gave the 2017 Toyota Camry an overall vehicle rating of 4.5/5 stars.

## Finance Rates as low as 3%

*\*Available for 60 months for qualified customers.*

### Package Features

- ✓ Push Button Start
- ✓ Smart Key System on Front Doors and Trunk
- ✓ Anti-theft System with Alarm
- ✓ Power Tilt/Slide Moonroof
- ✓ Backup Camera
- ✓ Premium Installed Options
- ✓ All Weather Floor Liners & Cargo Tray Package
- ✓ Door Edge Guards
- ✓ Rear Bumper Applique

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How much would you have to pay the dealership on the day you leased this car?	\$2,500	
	\$2,999	x
	\$15,000	
	\$23,590	
How long can you lease the Camry for at \$199/month?	3 years	x
	4 years	
	5 years	
	6 years	
Which of the following is an attribute of financing the Camry?	36-month loans	
	0% financing for 1 year	
	3% interest rates	x
	zero down payment	
Which of the following is NOT a standard feature of the Camry?	moonroof	
	backup camera	
	smart key system on trunk	
	door edge guards	x

### Conversation: Financing a Car

Andrew	So, you decided on the Camry XLE! Congratulations, it's a fantastic choice; great on gas and is a real pleasure to drive. Would you be interested in financing or leasing this vehicle?
Kayla	I don't really know much about either option. This is my first time purchasing a car that I haven't paid cash for, so I'm kind of new at this.
Kayla	I think I'm more interested in financing though, since I plan on having it for a while.
Andrew	What are you looking for as far as a monthly payment? Can you put me in the ballpark?
Kayla	I want to stick to around \$300 a month.
Andrew	Sure, and do you plan on putting a down payment on the loan? Or would you be interested in getting qualified for our zero-down, zero-APR offer?
Kayla	I was planning on putting down \$3,000, since that's what it said in your ad.
Andrew	Putting anything down will reduce your monthly payment. What does your credit score look like? We can have Anita in finance run your score, but for estimation purposes...
Kayla	Last time I checked it was around 725.
Andrew	With excellent credit like that, you qualify for a special 3% APR on your loan!
Kayla	Wow, great! So, what do the actual numbers look like for financing?
Andrew	Since you found us online, we can offer you the internet price of \$23,590. You said you're putting down \$3,000, and you're looking at a 5-year loan at 3%...

Andrew	...so, your monthly payment would be \$370.
Kayla	Geez, that monthly payment sounds a little too high for me. What do the numbers look like for leasing the car?
Andrew	We could do a 3-year/12,000 mile lease for \$199 a month. As a side note, we only offer 3-year leases.
Kayla	Wow, that's more like it! But, does the "12,000 mile" part mean that I can only drive my car that much in a year?
Kayla	My parents live all the way in Vermont and I like to drive up there at least once a month.
Andrew	Our standard-mileage lease includes 12,000 miles per year. Of course, if you plan on driving more than that, we can take a look at the extra-mileage lease.
Andrew	That would give you up to 25,000 miles a year, but it would mean an increased cost of \$100 per month.
Kayla	So, I'd be paying \$299 per month with the lease. But... after three years, I still wouldn't own the car like I would with the \$370 a month financing.
Andrew	When you lease a car, you are essentially renting it. You do have the option to buy out the rest of your lease at the end of three years, but most people return the car and lease or buy a new one.
Kayla	Oh, I see. It sounds like financing would be preferable if I'm planning on owning the car longer term. It will cost me a little more per month but eventually the car will be mine!

What information do you need to calculate your monthly car loan payments?	total cost of the car	
	down payment amount	
	APR interest rates on a loan	
	all of the above	x
What does "put me in the ballpark" refer to in line 4?	get me interested in your case	
	help me to understand	
	let's negotiate a lower monthly payment	
	give me an approximate numerical value	x
Which option makes sense for someone who wants to have the lowest possible monthly payment and little to no down payment?	financing	
	leasing	x
	renting	
	paying cash	
Which option makes sense for someone who wants to keep the car as long as they want and drive it as much as they like?	leasing	
	financing	x
	a standard-mileage lease	

What does Kayla mean by the phrase “putting money down” in line 7?	She puts cash on the table toward the cost of the car.	
	She makes an initial payment toward the total cost of the car.	x
	She expects a rebate of \$3,000.	
	She’s negotiated the price down to \$3,000.	
Derek is considering buying a new car. He lives in the city and doesn’t do a lot of driving, but likes to have the latest model of everything. What would you recommend?	buying a new car and paying it off immediately	
	signing up for a public transit ticket	
	leasing a car and trading it in after a couple of years	x
	leasing a car and purchasing it at the end of the lease	

## What Would You Say: Leasing a Car

Ethan, 30, is very excited about owning a new sports car, but needs to make sure his payments match his needs. Ethan speaks to a car salesman named William about his payment options.		
It looks like you’re interested in the Camaro. I am confident that you would be very happy with that decision. So, let’s talk numbers. Would you be looking to finance, lease, or pay for the car up front?		
I am considering purchasing with an option to buy.		“To purchase” already means “to buy”.
I am not really sure. Perhaps you can help me with my decision? It’s a pretty expensive car and I might be overextending myself with this choice. I am hoping that the numbers will magically work for me.	x	
I need to ask a few questions first, especially since the value of the car will appreciate as soon as I drive it off the lot.		This reply confuses the word “appreciate” (to increase in number or value) for the word “depreciate” (to decrease in value). The value of a car actually decreases over time, starting as soon as it is first used.
William and Ethan continue to talk about the payment options. The car is expensive and Ethan wants to make sure he hits his monthly budget with car payments.		
What do the numbers look like if I were to lease the car?		
So, the MSRP for the car is \$49,950. This would make the monthly payment for the lease \$559 and there would also be a required \$3,000 due at signing.	x	
Just in case you’re looking to lease, your down payment will be \$3,000, making your payment \$559 per month. Would that work for you?		“Down payment” should be two words.
If you can give us \$559 under the table, then I’m sure we can work out a good deal for you.		“Under the table” means to make a payment in secret (usually to avoid taxes).

William told Ethan that he could pay \$559 per month plus \$3,000 due at signing if he leases the car.		
Ok, and what do the numbers look like for financing?		
Financing depends of your credit score and the size of your down payment. I'll try to know if you qualify for financial assistance to drive that Camaro off our lot for \$897 monthly.		<b>There are two mistakes in this response:</b> "depends of" should be "depends on". In this case, "I'll try to know" should be "I'll try to find out".
Well, assuming you have a good credit score, you could qualify for an APR of 2.99%. This would make your monthly payment \$897 and that is with no money down. The payment could be lower if you do a down payment.	x	
Ethan thinks that financing will cost too much per month. William explains what a lease truly means.		
Yes, the leasing monthly payment is definitely lower. Just keep in mind that you are not the owner of the car and you are basically renting the car. If you still love it after the lease is up, you can buy it outright.		
I'd really prefer having the option of changing vehicles every few years with lower payments. I like the lower lease payments, but still want to be the legal owner of the car. How about I finance, but pay the monthly lease price?		This response clearly indicates that Ethan does not seem to understand the difference between lease and purchase.
The lease might actually work out better for me. I love driving new cars and not having to worry about regular maintenance. Plus, in a few years, something better might come out that I just have to have.	x	
William explains what financing truly means.		
Ok, then financing is definitely not for you. When you finance a car, you are taking a loan out on the car. Once you've paid off the loan, the car is yours which means you have to sell it if you no longer want it, which can be a pain.		
Yeah, financing doesn't sound too appealing at this point in my life. I need a lower payment and the flexibility of being able to switch my car in a few years with no hassle.	x	
I've got to stay on the cutting edge of technology, so I'm always getting new things, as new cars, laptops, and cell phones. I can't stay in one place for too long. Sign me up for the lease!		<b>To give an example, use "like" or "such as":</b> "I love getting new things, such as/like new cars or cell phones."
Ethan agrees to the terms of leasing his new car.		
Well, leasing it is! I will get the paperwork ready for you.		
Thank you! I am very excited!	x	
This was easy! I was afraid that you were going to close the deal on my credit score!		"Close the deal" means "make a sale".

# Investing in Stocks vs. Mutual Funds

## Unit Objectives

### **Introduction:**

Read a webpage called “Savings with North Bank: Compound Interest” and learn about yearly compounded interest.

### **Conversation:**

Brian Arlington, 25, just opened a savings account at North Bank. However, after looking at his savings account quarterly statement, he is worried that he is not earning enough interest. He calls his financial advisor, to ask about alternative investment options that will offer him a higher rate of return.

### **What Would You Say?**

Choose what you would say in a conversation between a woman approaching retirement and her financial advisor as they discuss the benefits of investing in mutual funds.



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Savings with North Bank: Compound Interest

Your online **statement** outlines information about your **deposits**. It details your average interest rate as well as the actual dollar amount earned in **interest**. Deposits at our bank earn **compound interest**. **Compound interest** is the addition of **interest** to the **principal** sum of a **loan** or **deposit**. It is the result of **reinvesting interest**, rather than paying it out, so that **interest** in the next period is then earned on the **principal sum** plus previously **accumulated interest**.

*(interest compounded yearly – added at the end of each year)*

Year	Deposit	Year Interest	Total Interest	Balance
1	\$1000	\$10.00	\$10.00	\$1,010.00
2	\$0.00	\$10.10	\$20.10	\$1,020.10
3	\$0.00	\$10.20	\$30.30	\$1,030.30
4	\$0.00	\$10.30	\$40.60	\$1,040.60
5	\$0.00	\$10.41	\$51.01	\$1,051.01

*For example:* you have \$1,000 in an account that earns 1% **interest** annually. After 1 year, you would earn \$10 in **interest**. With **compound interest**, that \$10 would then be added to the original **principal**, making your new balance at the end of year 1, \$1,010. In year 2, you would earn 1% interest again but this time on the new balance of \$1,010. In year 2 you would earn \$10.10 in **compound interest**. Your new balance at the end of year 2 would be \$1,020.10 and by year 5, it would be \$1051,01. This would then continue each year the same way. As a result, **compounding** is the act of adding earned **interest** to an account.

How does the North Bank calculate interest earned?	simple interest	
	compound interest	x
	average interest	
	effective interest	
How often does the North Bank calculate interest earned?	annually	x
	quarterly	
	monthly	
	daily	
The best way to describe compound interest is:	interest on original principal only	
	interest rate before inflation	
	interest on interest	x
	interest remains constant	
Following the example in the table, what would be the total amount of interest earned by year 6?	\$55.23	
	\$61.52	x
	\$69.14	
	\$72.86	

### Conversation: Investing in Stocks

Mr. Wyatt	Mr. Arlington! How can I help you today?
Mr. Arlington	Good afternoon, Mr. Wyatt! I could use some sound financial advice. I recently received my first quarterly statement from my bank. I'm concerned about the amount of interest I am earning on my savings account.
Mr. Wyatt	Could you refresh my memory and let me know what your current savings account interest rate is?
Mr. Arlington	I am earning 1% compound interest annually. It seemed wrong to me to only be earning a dollar for every hundred I put in.
Mr. Wyatt	Yes, 1% isn't a very high interest rate.
Mr. Wyatt	Ten years down the line, if you keep investing \$100 per month at that same interest rate, you will have saved a total of \$12,623 of which \$12,000 is your principal and \$623 is your earned interest.
Mr. Arlington	That's only six months of savings! After ten years? I'm definitely interested in alternative investments that will provide me with a higher rate of return.
Mr. Wyatt	There are many different investment options for you to choose from. However, options that provide a higher rate of return also have greater risk associated with them.
Mr. Wyatt	Would you be interested in investing some of your money in either mutual funds or stocks?
Mr. Arlington	I'm a little rusty with those terms, could you refresh my memory?



Mr. Wyatt	Of course! Mutual funds are run by an asset management company which collects funds from many different people and invests their money in stocks, bonds, and other securities.
Mr. Wyatt	The combined holdings are then traded together as one new mutual fund.
Mr. Arlington	Ok, and stocks are kind of like owning part of a company?
Mr. Wyatt	Yes, a stock is a share in the ownership of a particular company. Corporations issue stocks to raise capital and entitle the stock owners to partial ownership of the corporation.
Mr. Wyatt	Looking at those numbers again, let's say you purchased 100 shares of stocks or mutual funds at \$12 per share using the predicted \$1,200 you'd be putting in your savings account every year.
Mr. Wyatt	Well, if the mutual fund or stock price goes up to, let's say, \$30 per share, your portfolio would then be worth \$3,000.
Mr. Wyatt	The difference between the price you sell shares at, \$3,000, and the price you bought shares at, \$1,200, is your profit or capital gain. In this case, that would be \$1,800.
Mr. Wyatt	This could happen at any time, and you do not have to wait 10 years like you do with your savings account.
Mr. Arlington	Which would you suggest for my situation, Mr. Wyatt? Stocks or mutual funds?
Mr. Wyatt	Well, stocks are certainly riskier than mutual funds. You need to decide what an acceptable level of risk is for you and your desired level of profit.
Mr. Wyatt	As a young man, you may be in a position where that risk might be worth the reward, so to speak.
Mr. Arlington	The potential profit with mutual funds and stocks sounds very appealing. Would you have some time this upcoming week to sit down with me and discuss some details?
Mr. Wyatt	Absolutely. Why don't we schedule an appointment on Thursday for you to come into the office?

What's another way Mr. Arlington could have phrased line 10?	I'm uncomfortable talking about this, but go ahead.	
	I agree to the main terms of the deal, but I would like to go over the details.	
	Those terms sound familiar, but I don't remember what they mean.	x
	I'm in a hurry, so please speak quickly.	
Which of these holdings entitles you to partial ownership of a specific company?	mutual funds	
	bonds	
	stocks	x
	capital gain	
What saying is typically true when it comes to taking risks with the stock market?	You can't teach an old dog new tricks.	
	You win some, you lose some.	x
	Don't look a gift horse in the mouth.	
	A penny saved is a penny earned.	
I open a savings account and deposit \$5,000. At the end of the year, the account has \$5,062.50 in it. How much is the principal?	\$5,062.50	
	\$62.50	
	\$5,000.00	x
	1.25%	
Which of the following did the financial advisor say is the riskier investment?	trusts	
	stocks	x
	mutual funds	
	bonds	
Marianne has two bank accounts. She started account A with \$100 and had \$300 after one year had passed. She started account B with \$210 and had \$315 after one year had passed. Which account has the higher rate of return?	account A	x
	account B	
	They have the same rate of return.	

## What Would You Say: Investing in Mutual Funds

Donna Murtagh is looking to change some of her investments in her 403(b) retirement account as she is approaching retirement. She calls her financial advisor, Matt Johnson, to ask for some advice.

**I am interested in diversifying my 403(b) account portfolio, but I am not sure I completely understand what stocks are. Could you help explain?**

A stock is a share in the ownership of a specific company.	x	
Stocks are good for the economy and diversifying reduces the volatility of your portfolio over time.		This response is off-topic from the question "What is a stock?".
Diversifying means that you manage your stock portfolio by spreading around your investments.		This response is off-topic. The question is about stocks, not diversification.

**Donna needs more information about stocks.**

**How do you make money owning stocks?**

By far the best method is with insider trading, which is learning what stocks will make money before anyone else does. It's illegal, but I can help you with that.		Insider trading is illegal and should not be recommended by a financial advisor.
It all comes down to picking the right stock, or company to invest in. If that company is successful, and the stock increased in value, your dividends increased as well.		There is a tense issue in "If that company is successful, the stock increased in value...". When a conditional clause contains "if" + present tense, the main clause should be in the future, the present, or the imperative tense.
The idea is you buy stocks at a lower price and sell them at a higher price. This difference is called a capital gain, which is the amount you've earned from the sale.	x	

**Donna still seems to be skeptical about investing in stocks.**

**I've heard that there is a potential to make a lot of money, but I've also heard that stocks are very risky. I'm in no position to lose any money right now.**

My advice is, playing the stock market isn't risky behavior, it's more like gambling. Mature audiences can handle it.		"Risky behavior" and "gambling" mean the same thing.
Good point. To clients approaching retirement age, I can't recommend to them buying something as volatile as stocks.		This sentence is redundant, as "to clients approaching retirement age" and "them" are both indirect objects of "recommend".
This is very true and that's why I do not recommend stocks to clients who are close to retirement age, such as yourself.	x	

Donna is eager to find out what Mr. Johnson suggests.

What would you suggest for those who are close to retirement then?

Being invested in something more stable, like bonds or mutual funds, makes sense at your age.

This is a tricky one. “To be invested in something” means that you value something highly or are emotionally involved with something. “To invest in something” means to commit money in order to earn more.

I would suggest something less risky, like mutual funds.

x

To mitigate the risk, you could role over some of your 401(k) assets into a mutual fund.

This response confuses “role over” (part in a play or situation) with “roll over”, which is a transfer of finances from one arrangement to another.

Donna is unaware what mutual funds are.

I’ve never heard of mutual funds. Can you tell me a little about them?

Mutual funds are securities that are run by an asset management company. They collect funds from many different people and invest their money in stocks, bonds and other securities. The combined holdings are then traded together as one new security called a mutual fund.

x

Mutual funds are a group of holdings, such as stocks, bonds, and other securities that are togetherly, or mutually owned by a group of investors. The benefit of mutual funds is that they are cost-affective and you can get variety in your portfolio without much risk.

**There are two mistakes in this response:** “togetherly” is not a valid word (“together” is) and “cost-affective” should be “cost-effective”.

Donna is still somewhat confused about the difference in risk with stocks and mutual funds.

Well, how are they then less risky than stocks?

Mutual funds allow investors the convenience of diversifying their portfolios without having to invest in a large number of securities.

x

When investments, such as mutual funds decrease in value. This is a hidden benefit, as investors do not own shares in each company, they only own shares of the mutual fund.

This response was not formed as a complete sentence.

**Donna does not quite understand how mutual funds allow investors to diversify their portfolios.**

**How so?**

By assuming equestrian risk, client fees by brokers are unbridled and must be reined in.

“Equestrian” refers to horses.

Investing in only a handful of stocks in your portfolio can be risky, because if the value of those stocks declines, the value of the entire portfolio decreases.

x

Hedge funds must be trimmed by all investors mutually.

This reply does not directly answer the question, and seems to confuse hedge funds with hedge rows, which are found in gardens.

**Donna does not quite understand.**

**Wait, but if mutual funds are just a bunch of stocks, can’t they decrease in value just as quickly?**

Good question. Since mutual funds hold hundreds of different securities, their value is not tied to just one company’s performance. Even if one of the holdings doesn’t do well during a quarter, the value of the fund does not get dramatically fewer.

“Fewer” should only be used with countable nouns. Since “value” is a noncount noun, you could say, “does not dramatically decrease” or “does not dramatically lessen”.

Well, mutual funds mitigate this risk because they hold a large number of securities. When the value of one of the securities drops, it has a smaller effect on the value of the entire diversified portfolio.

x

**Donna appears to be catching on, but needs a little more clarity.**

**Let’s see if I can describe this with a real-life example. Let’s say I own 100 shares each of two different stocks valued at \$100. That total portfolio would be worth \$20,000.**

Holy mackerel, that’s right! The decline would be greater if you weren’t all mutually feeding into the stockpile.

This response confuses stock portfolio with stockpile.

You’re right! If the stock of one falls by 20%, your portfolio only declines by 10%. As the taxable income is distinguished by \$200, which saves you 10%.

The sentence about “taxable income is distinguished...” doesn’t make much sense, as “distinguished” means either “famous, well known” or “dignified in appearance or manner”.

That is correct! If the price of one of those stocks falls by 20%, the value of the total portfolio then declines by 10% from \$20,000 to \$18,000.

x

Donna continues to ask for clarification.		
Ok, I understand that. Let's now consider a portfolio with mutual funds.		
Sure. Let's say this second, similar portfolio instead consists of one share in 400 different stocks valued at \$50 each. In total of that mutual fund would also be valued at \$20,000.		"In total" should be used to describe the number of things in general, so "In total, that mutual fund..." is correct. You can also say "The total value of the mutual fund would be..."
Ok, let's say this second portfolio instead consists of one share in 200 different stocks valued at \$100 each. That total portfolio value would also be worth \$20,000.	x	
Donna continues the discussion on mutual funds.		
Yes, the two portfolios have the same value. So, what happens when the value falls in the second portfolio?		
In this case, if the value of the fund's total portfolio declines by 1%, from \$20,000 to \$19,980, then the price of one of the stocks in the mutual fund will fall by 20%.		In an if-then statement, the "if" clause indicates a hypothetical situation and the "then" clause indicates a result. This response suggests that an overall decrease in value of a mutual fund (hundreds of stocks and bonds) will result in exactly a 20% decrease in just one of the stocks.
In this case, if the price of one of the stocks falls by 20%, the value of the total portfolio only declines by 1% from \$20,000 to \$19,980, which is very different than stocks.	x	
Donna seems to finally understand the difference.		
I think I finally understand how mutual funds are less risky than stocks. I will invest more of my money into mutual funds. Thank you for your help!		
I think the pleasure is mutual.		This is an incorrect use of an idiom. The phrase is, "The pleasure was mine."
Thank you for your time.		This phrase should be used by the person who initiated the phone call. The person who was called could say "Thank you for the call."

# Understanding a Paycheck

## Unit Objectives

### **Introduction:**

Read an email between a supermarket manager and a new employee and see what forms and documents are needed to set up a new employee in a payroll system.

### **Conversation:**

Matthew, a sixteen-year-old boy from Massachusetts, recently started working at his first job and is shocked and confused as to why he did not make as much as he thought he would in his first paycheck. He asks his father to explain all the different items that were deducted.

### **What Would You Say?**

Choose what you would say in a conversation between a recent immigrant from Australia and the HR manager as they discuss American income tax.

## Context Activity: Tax Documents for Payroll

Payroll Documentation

Message

DeleteArchive

ReplyReply AllForward

MeetingAttachment

MoveJunkRules

Read/UnreadCategorizeFollow Up

Customer Manager

Payroll Documentation

SW

Jessica Fisher (jfisher@foodmart.com)  
Thursday, May 11, 2017 at 9:55 AM  
To: Matthew Williams (mwilliams@gmail.com)

Dear Mr. Williams,

Congratulations on becoming part of the Food Mart Inc. team! We are glad to have you on board!

This is the list of forms and documents we need to have on file to set you up in our **payroll system**:

1. The first form you'll need to fill out is the **W-4 form**. Here, you will indicate your **tax status** (single, married, etc.), how many **allowances** you are claiming, and any additional amounts you may wish withheld. This will determine how much of your paycheck should be withheld to pay **federal income taxes**.
2. The second form we will need is the **I-9 form**. The Form I-9 is used for verifying the **identity** and **employment authorization** of individuals hired for employment in the United States.
3. Finally, you will need to initial the employee handbook verification form as proof of receipt.

Please return the requested documents to the Human Resources Department as soon as possible, so that we may process your paperwork in a timely manner. If you have any questions, please do not hesitate to contact me at jfisher@foodmart.com or at (555) 987-6543.

Sincerely,

**Jessica Fisher**  
Head of Human Resources  
Food Mart Inc.



Which of the following forms is not required from the new hire?	I-9 form	
	W-2 form	
	1099-MISC form	x
	employee handbook verification form	
What information will the I-9 form ask for?	Social Security number	
	full legal name	
	whether you are a U.S. citizen or lawful permanent resident of the U.S.	
	Alien Number/USCIS Number or foreign passport number	
	all of the above	x
What is the purpose of completing the I-9 form?	The form indicates what your tax status is.	
	The form indicates how many allowances you claim.	
	The form verifies you are authorized to work in the United States.	x
	The form is an application you complete for employment.	
What information is asked for on the W-4 form?	your tax status	
	allowances you are claiming	
	taxes to be withheld from the paycheck	
	all of the above	x

### Conversation: Tax Withholdings

Matthew	Dad, what the heck!? Look at my paycheck! They told me I'd make \$10 an hour so this check should be for \$100. They stiffed me!
Dad	Let me guess, you received around \$75? Unfortunately, we are obligated to pay taxes and other deductions from our paychecks.
Matthew	Can you explain what these taxes and deductions are? Are they even allowed to take this much?
Dad	Yes... One of the largest deductions from your paycheck is going to be federal income taxes.
Matthew	What is the federal income tax? What does it pay for?
Dad	The federal income tax is a tax that pays for many federally-run programs which include health care, national defense, job and family security, and space programs to name just a few.
Matthew	I'm funding space programs with the money I make at the grocery store. Trying to process that for a second...
Matthew	Does everyone have to pay these taxes - the same amount, I mean?
Dad	The amount of tax you owe depends on your income level and filing status.

Dad	In general, the more you make, the higher the percentage you pay towards federal income taxes. There are of course plenty of exceptions to that rule.
Matthew	Oh, and we also have that state income tax thingy. Is it similar to federal income taxes?
Dad	They are similar in that they are calculated based on income level and filing status.
Dad	However, state taxes help to pay for state-run programs like education, health care, transportation, and state correctional facilities.
Dad	There's also the Social Security tax. These taxes, which both employees and employers pay, are credited to the Social Security trust fund.
Dad	These funds provide benefits to retired people, survivor benefits, and to people who are disabled.
Matthew	Let me get this straight. For every dollar I earn, some of it is going to the U.S. government, some of it is going to local government, and some of it goes to retired and disabled people.
Dad	Yes, for every dollar you earn, up to a maximum of \$127,200 for 2017. The maximum amount changes every year. If you make more than that, you won't be taxed additionally.
Matthew	How about this Medicare tax? This tax doesn't look as big as the others.
Dad	The Medicare tax is a tax that pays for subsidized health care and hospital insurance benefits for the same group of people that the Social Security tax covers.
Dad	The present tax rate is 1.45% of all your earnings, no matter how much money you make each year. There is no cap on your earnings as there is with the Social Security tax.
Matthew	Geez, so many taxes!
Dad	In addition to all those taxes, when you get older, you can opt to deduct other items from your paycheck, like a retirement plan contribution or life insurance payment, to name a few.
Matthew	Good to know, Dad! It seems I might need to take on more hours at the grocery store if I'm going to buy a car this summer...

In line 1, what did Matthew mean by "They stiffed me!"	The grocery store did not schedule Matthew to work as many hours as he wanted.	
	Matthew received less in his paycheck than he expected.	x
	Matthew's paycheck was not available when he went to pick it up	
How much of Matthew's paycheck does his dad estimate was taken out in taxes?	about 10%	
	about 15%	
	about 25%	x
	about 30%	

Which of these programs or services is not funded by state income tax?	local schools	
	state prisons	
	Medicare	x
	subway systems	
Should Matthew expect to pay more or less taxes as he gets older?	If Matthew earns more as he gets older, his taxes will increase proportionally.	x
	When Matthew buys his car, he can deduct all his taxes.	
	Everyone pays the same amount of tax, regardless of income.	
Who benefits from Medicare and Social Security?	government employees and state correctional facilities	
	the elderly, retired people, and people who are disabled	x
	the military, teachers, and space programs	
	grocery store employees and food stamp programs	

### What Would You Say: Income Tax in the U.S.

Oliver recently immigrated from Australia and now works at a restaurant in New York City. After receiving his first paycheck, he visits the head of the Payroll Department with a lot of questions.		
Hi Hannah! I'm sorry to bother you, but do you have some time to answer a few questions about my paycheck?		
Sure! I had trouble with managing the payroll schedule last week, but that's all ironed out by now.		While the first part of the answer was related to Oliver's concern, the response doesn't answer the prompt.
Time is money! You should have received your paycheck last week.		As head of the Payroll Department, Hannah is aware that Oliver is a new worker in the United States with lots of questions, but the phrase "Time is money." indicates that Hannah is impatient.
Of course, Oliver! What are your concerns?	x	

Oliver begins to ask for clarification about the taxes on his pay statement.

**Can you please explain to me why my take home pay is approximately 30% less than I expected?**

Oh, Oliver, I was sorry about that too! At least you get to take home tips instead. As you know, tips don't get taxed.

This response does not answer Oliver's question and Hannah gave erroneous information about tips and taxes. Tips are considered employee wages and are required to be reported.

Oh, I'm sorry we didn't go over this earlier, Oliver! In the United States, all citizens are taxed on their earned income. Some taxes are a fixed percentage of your income and other taxes vary.

x

No problem. Earned income both comes from you owning a business or when you work for someone.

Remember to read the prompt carefully so Hannah knows what to answer and she doesn't stray from topic!

Oliver wants to check to see if American and Australian federal income taxes are calculated differently.

**A large amount of my paycheck was taken out for federal income taxes. How is this tax calculated? Is it a flat percentage?**

Yes, they flatten down the rate for everyone, irregardless if you make more or less money than the average taxpayer.

There is no verb "to flatten down a rate/percentage", even though you can have a "flat rate/percentage". "Irregardless" is often used in English, but the correct word is "regardless".

Actually, there's different brackets for federal income taxes. It all depends on your income level and if you file single, married, or head of household.

Remember that the subject and verb in a sentence must agree with each other. With sentences that have "there", the true subject is after the verb (brackets). Brackets is plural, so the verb should be "are".

No, the amount taken out in federal income taxes is not a flat percentage. The percentage varies based on the income tax bracket you belong in.

x

Oliver is very interested in learning more about American income brackets.

**What is an income tax bracket?**

An income tax bracket is a range of incomes that are subject to a certain tax rate. Lower income falls into tax brackets with lower income tax rates, while higher income falls into tax brackets with higher rates.

x

Earned income tax brackets are adjusted every year to account for inflation. Based on the taxable income bracket, or how much you'll earn per year, your bracket may fall between 10% to 39.6%.

This answer does not explain how the tax is calculated.

Oliver seems to begin understanding a little more.

**So basically, the more you earn, the more you pay in federal income taxes and the less you earn, the less you pay in federal income taxes?**

It's not that hard, really. Here in the U.S., the more someone works, the more you pay in taxes, regardless of what tax bracket you're in.

This response is rude as "It's not that hard, really." implies that Oliver's question isn't a smart one. It is also incorrect as taxes are calculated based on how much you earn (income) and not necessarily how much you work.

That is correct! American taxpayers fall into one of seven tax brackets depending on their taxable income. The percentage you pay in taxes falls within the 10% to 39.6% range.

x

Oliver is still somewhat confused.

**Where can I find a copy of the actual income tax brackets?**

No problem. I'll recite the seven tax brackets to you.

Recite means "say out loud from memory". This response is rude and unhelpful.

The Internal Revenue Service, or IRS, and the Department of Commerce work together to figure out tax brackets, so you could call either one.

This response is not true. The Department of Commerce supports economic growth and job creation in the U.S. They do not create or regulate tax brackets. "Commerce" means "the activity of buying and selling on a large scale".

The Internal Revenue Service, or IRS, which is a federal government agency, creates these tax tables. You can find the income tax brackets on their website.

x

Oliver feels he now understands.

**Thank you for clarifying that, Hannah! I wasn't quite sure how federal income taxes were calculated. I will check the IRS website so I know what to expect in the future.**

No problem! If you have any other questions, please do not hesitate to ask.

x

It was a piece of pie! Come by anytime.

The idiom "piece of cake" (not pie!) means something that's easy to learn or do.

Anytime. I'm glad to be of your service!

This phrase does not flow naturally. The payroll manager could say instead "I'm glad to be of service to you." or "I'm glad to be of service."