

Investing to Travel the World

Helen and Noelle want to travel around the world together in 3 years. They have decided to make a financial commitment toward their goal by setting up an investment portfolio. They estimate that they will need about \$23 280, in total, to travel for 3 months.

Expense	Estimate
airline tickets, \$3000 each	\$7 000
rail passes, \$2000 each	\$5 000
hostels, \$15/day each for 92 days	\$2 760
meals, \$30/day each for 92 days	\$5 520
incidentals	\$3 000
Total	\$23 280

Helen and Noelle currently have a total of \$6000, which could be invested now. They are both working full-time, so they could also save money each month.

Their portfolio consists of

- a 3-year GIC that earns an average annual interest rate of 4.5%, compounded annually, and
- regular payments into an investment savings account with an average interest rate of 3.9% compounded monthly.



? Will Helen and Noelle meet their financial goal?

- Does their portfolio seem reasonable?
- Helen and Noelle wonder if they would have enough money with just the GIC. Estimate how long it will take for \$6000 to grow to about \$23 280 at 4.5%, compounded annually.
- How much do Helen and Noelle need to save each month to achieve their goal? Explain.
- Suppose that, after 3 years, the cost of the trip turns out to be 8% greater than their estimate. How much longer will they have to wait until they have enough money? Explain.

Task Checklist

- ✓ Did you provide your reasoning?
- ✓ Did you check that your results are reasonable?
- ✓ Is your advice clear and easy to understand?
- ✓ Did you use correct mathematical terms?