

## F Exercise 1 (Track 8)

- Mrs. Smith:* OK, I reckon that we'll need about € 10,000 to buy new furniture. If you want to have your nice German car you're going to need at least € 10,000 for that as well.
- Mr. Smith:* Let's say € 15,000, that's more realistic.
- Mrs. Smith:* I'll write it down, but that doesn't mean that I agree with spending so much money on a car – even if it is a German one.
- Mr. Smith:* Fair enough.
- Mrs. Smith:* Any flat with two bedrooms and a small garden in the area where you'll be working would cost us at least € 200,000.
- Mr. Smith:* Okay. Write it down, but that doesn't mean that I agree with paying so much money for a garden, even if it is a very nice flat.
- Mrs. Smith:* Fair enough. Anyway, renting a flat might be cheaper. Renting the same place would cost around € 1,000 a month
- Mr. Smith:* Will a rented flat include furniture?
- Mrs. Smith:* No, it won't. Not for € 1,000 a month, at least. OK, then we've got Ron's student loan. This is very important to me ...
- Mr. Smith:* Yes, of course, we don't need to argue about that.
- Mrs. Smith:* Well, Ron might have to apply for a student loan himself, so this will not be on our list. He also needs to find out exactly what he wants to study, so his fees and his loan are still pending. Last week I read a report though that some students face as much as £ 50,000 of debt by the time they complete their studies. I would still suggest that we give him some money to support him, so that he isn't broke as soon as he graduates.
- Mr. Smith:* I completely agree with you. Let's say about € 300 a month? That will help him along. Yes, that should be great ...
- Mrs. Smith:* So now we have to choose – either we go for a place of our own – which would be my preference – or we try to rent a place. What do you think?
- Mr. Smith:* I can't see us renting a place. My job will be secure, and you know Germany better than I do, so we might very well end up staying there permanently. Anyway, I don't believe in renting, it's a waste of time and money. Let's get a place of our own.
- Mrs. Smith:* Yes, but think of the expense! A flat would cost at least € 200,000. Anyway, before we carry on talking about flats, let's get down to facts and figures, maybe then we'll be able to see whether we can afford our own place: I've checked quite a few places to borrow money from. Actually, the first place I enquired about short-termed loans was my credit card company. You know, we could use my credit card in Germany, maybe to buy furniture, and pay back this loan within six months or so ... the problem is that the interest rate on this kind of loan is pretty high. It's 17 per cent after the grace period has expired – so after 45 days free loan we are still looking at 17 per cent, with minimum instalments of £ 50. We can pay back the sum whenever we want, though.
- Mr. Smith:* Okay.
- Mrs. Smith:* Apart from that I checked the interest rate on my overdraft facility. It's lower than for a loan on the credit card, but there is no grace period – as soon as the account is overdrawn, the bank starts charging us 13 per cent. But it can also be paid back anytime.
- Mr. Smith:* That's quite interesting, too. The grace period is not that relevant anyway.

*Mrs. Smith:* Then I checked out an unsecured loan from a German bank. They offer an interest rate of 11 per cent – but they also have a standard administration fee of 2 per cent on the whole sum. After that I went online – and you wouldn't believe it: I found a consumer loan at an online bank at 6.3 percent effective annual rate. This means we'd be paying it off at € 236 per month for four years.

*Mr. Smith:* Well, that sounds very good indeed. Especially if you compare it with the first loan.

*Mrs. Smith:* As we agreed earlier, we'll be giving Ron about € 300 a month, so he will not have to pay back too much after his course. I also checked the internet for a hundred per cent mortgage, and I found the following: There are mortgages available with an interest rate of 5.6 per cent – fixed for 15 years. With a principal repayment rate of 3 per cent we'd have to pay € 1,434 every month – leaving us with approximately € 60,000 that we'd have to remortgage in the end.

*Mr. Smith:* Right. Did you find out about endowment policies, too? They'd give us the advantage that we'd be insured as well.

*Mrs. Smith:* No, I didn't look into that. I'd better check that out. Anyway ... what do you think ... what are we going to do about our flat, our furniture, Ron, and the car?