

# Planning Your Financial Future



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*To Shana Lum*

*Development editor, taskmaster, confidant, and friend*

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# PREFACE

We wrote *Planning Your Financial Future* with one overriding goal: to help the reader make better personal financial decisions, which means knowing how to spend and save money more wisely and to improve his or her standard of living. The book adopts a life-cycle approach to financial planning. Our writing style, designed for readers with diverse educational backgrounds, is informal and relatively nontechnical. Further, readers are given many opportunities to apply the material covered to their own personal situations. Throughout the book, we continually emphasize the importance of personal finance and money management in today's complex and sometimes confusing environment.

The personal finance course has a strong practical orientation—the main reason students take it. A text, in our opinion, should complement, not detract from, this practical orientation. And it should be fun. We have written *Planning Your Financial Future* to provide instructors with a quality textbook that provides a thorough, conceptually sound treatment of the subject that personal finance courses merit. Concepts are reinforced with real-life examples, up-to-date information, expert advice, and a problem-solving format. The writing style, text organization, and emphasis on practical applications are designed to relieve students of the tedious, boring reading that has too often characterized the study of personal financial issues.

We recognize how important the study of personal finance is for today's college students. Few other courses have such a profound effect on students for the remainder of their lives. One needs only to talk briefly with the typical student today to realize how little he or she knows about such fundamental personal finance topics as budgeting, credit, taxes, insurance, and investing. Yet every year the personal finance choices get longer and more complicated. We cannot overemphasize how important it will be in coming years for everyone to better manage their personal finances. Students who read our book and complete a personal finance course will be at a major advantage over those who do not in the coming years.

## AN OVERVIEW OF THE FEATURES

*Planning Your Financial Future* offers a number of unique and exciting features. These features are designed to capture student interest and aid student learning.

- *Focus on a practical life-cycle approach to financial planning.* We believe that financial planning is a lifelong activity. We continually emphasize that the choices you make today will have a profound influence on your future. For example, retirement may seem irrelevant to college students—after all, many are trying to get their first job. But, as we demonstrate, students should begin saving for retirement as soon as they are employed. As another example, we



show students the importance of saving money and building a good credit record starting right now, if they want to eventually buy a home.

- *Development of the student's own financial plan.* Many books tell students they need to create their own financial plan. That is a daunting task if there is no guidance. The “Developing Your Own Financial Plan” activities at the end of each chapter take the student through each step of the financial planning process. Through worksheet exercises, research projects, and introspective questions, the reader will build his or her own plan as the course progresses.
- *Hands-on application with the extensive use of worksheets.* The book contains numerous worksheets to aid in financial decision making and to help students understand complicated material. Just to name a few, worksheets are designed to allow students to list their financial goals, evaluate a job offer, prepare a budget, choose a place to live, and calculate how much they are really paying in credit card interest. Each worksheet includes an example along with blank spaces for students to fill in. Totally blank copies of all the worksheets are included in Appendix C for students to use with the end-of-chapter exercises or their own financial plans.
- *Emphasis on decision making with “Advice from the Experts” boxes.* The financial choices we are faced with are not easy. Not only do we tell readers what the options are, but also we help them evaluate which ones are appropriate for them and their plans. The “Advice from the Experts” boxes provide practical consumer advice. Some examples of advice boxes include “Tips for Handling a Job Interview,” “What to Do if You Have a Problem with Credit,” “Negotiating with Car Dealers,” and “Avoiding the Most Common Investment Mistakes.”
- *A diverse set of real-life examples.* U.S. households in the 1990s are a diverse group, and our examples reflect that diversity. The real-life examples we use are not all families with a husband, a wife, and two children. Students will be able to relate to our examples—many will remind them of themselves or people they know. This approach reinforces the importance of personal financial planning to everyone, regardless of age, income, occupation, or marital status.
- *An entire chapter devoted to mutual fund investing.* Mutual funds are one of the great personal-finance success stories of this decade. Many students will likely put the majority of their investment dollars and retirement savings into mutual funds. Unlike most other personal finance textbooks, we have an entire chapter on mutual fund investing—including how to pick the right fund for an individual's needs and goals.
- *Up-to-date coverage.* *Planning Your Financial Future* is as current in its coverage of personal finance subjects as today's newspaper headlines. For example, we discuss how the job market is changing and why that makes good money management more important than ever. We discuss today's trends in health insurance and taxes and even how proposed changes to Social Security affect college students.



- *Nontechnical approach.* Many subjects covered in personal finance can be quite confusing. We use as little technical jargon as possible, and where we do, we define terms immediately in plain English. Mathematics are presented with easy-to-understand examples because the course is not about math—it's about decision making and planning.
- *Informal, conversational writing style.* Throughout the text we talk to students in an engaging, friendly manner. Although the material deals with serious subjects, everyone—students and instructors—will still have some fun reading the book.

## **PEDAGOGY THAT ENHANCES STUDENT LEARNING**

*Planning Your Financial Future* contains numerous teaching and learning aids to benefit the reader. Some of the pedagogical highlights include

- *Chapter Opening Learning Objectives.* Each chapter begins with a set of four to six learning objectives. These objectives, which are the major topics covered by the chapter, are phrased as questions that students might ask, such as, "What is the purpose of a budget?" Secondary topics are listed under each objective. The reader can see how each chapter is organized at a glance.
- *"Did You Know" Information Bar.* The chapter opener includes five facts that the reader may not be aware of. These tidbits reinforce key concepts from the chapter, provide interesting statistics, and help illustrate the importance of the chapter. They are a quick, fun tool to get the reader ready for the chapter.
- *Margin Glossary.* Key terms are defined immediately to eliminate any confusion over technical jargon.
- *"Testing Your Personal Finance I.Q."* The chapter summary consists of a true or false quiz, organized by learning objectives. Answers to the quizzes are in Appendix B. The student will be able to quickly assess how well he or she has understood the material.
- *Mini-Case.* At the end of each chapter is a mini-case (some chapters have more than one). The mini-case is a long question or problem that spans major topics and helps to unify the chapter. The mini-cases consider practical personal financial decisions and often revisit situations from previous chapters to illustrate the life-cycle nature of personal finance.
- *"Developing Your Own Financial Plan."* Each chapter ends with a section on "Developing Your Own Financial Plan." At each step of the planning process students will build a financial plan based on their goals and their situation. It reinforces the material and gives them additional valuable information to take away from the class.
- *Personal Finance Wizard.* We integrate the personal computer throughout the text. We highlight personal-finance computer software and Internet resources. A computer disk, called Personal

Finance Wizard, is included with all copies of the textbook. It contains Microsoft Excel worksheets based on the worksheets in the book to solve personal financial problems and Microsoft Word templates for preparing documents as diverse as resumes and complaint letters.

## **AN EXCELLENT SUPPLEMENT PACKAGE TO SUPPORT THE TEXT**

A number of excellent supplements have been developed to accompany *Planning Your Financial Future*.

- *Instructor's Resource Manual*. The Instructor's Resource Manual (IRM) contains a lecture outline, annotated learning objects, and points to emphasize in class. Extra problems and exercises are provided for additional assignments. A list of student projects, term papers, and Internet exercises is included in the IRM. In addition, the IRM provides solutions for all end-of-chapter questions and problems.
- *Test Bank*. A thorough, comprehensive test bank is available, both in paperback and computerized versions. The test bank contains numerous objective questions, short-answer essay questions, and problems for each chapter along with several sample tests.
- *Slide Program*. For each chapter we have prepared a computerized slide program using Microsoft PowerPoint. The slide show is designed to be used in class lectures. Each chapter file includes learning objectives, key points, and chapter exhibits and presents the complete chapter as a dynamic lecture guide.

We are indebted to Debby Kailer of the Community College of Allegheny County for all her hard work and creativity in creating the PowerPoint presentations for each chapter.

- *Study Guide*. An excellent study guide written by Steven L. Christian and Barbara H. Luck of Jackson Community College is available for purchase by students. The guide contains a chapter outline, key terminology exercises, conceptual questions, and experiential problems that provoke interest and apply the chapter topics in a real world setting. All these activities will further the student's mastery of chapter concepts.

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Louis E. Boone  
David L. Kurtz  
Douglas Hearth

## A NOTE TO STUDENTS ABOUT THE PERSONAL FINANCE WIZARD DISK

Each new copy of *Planning Your Financial Future* contains a copy of the disk Personal Finance Wizard. There are four files on each disk. Wizard.xls contains twenty worksheets (a list of the worksheets follows). These worksheets are designed to solve a variety of personal finance problems, and most are based on the worksheets you'll find in the book. In fact, any end-of-chapter exercises that have this icon  in the margin can be solved with the Wizard disk. You enter data and the worksheet automatically calculates the solution.

The other three files are Microsoft Word documents. Resume.doc is a template that assists the user in creating a personalized resume. Covlet.doc is a template that helps the user write a personalized resume cover letter. Finally, Coplet.doc is designed to assist the user in writing a complaint letter about a defective product. These files are in either Microsoft Excel for Windows or Microsoft Word for Windows format. Other major spreadsheet and word processing programs, such as Lotus 1-2-3 for Windows or WordPerfect 6.0 for Windows, should be no trouble for the student to open and read the files.

### Contents of Wizard.XLS Workbook

<i>Worksheet</i>	<i>Description</i>
TIMEVAL	Solves time-value-of-money problems
Finstat	Prepares income statements and balance sheets
Budget	Prepares a monthly budget
Balance	Helps you balance a checkbook
Credit Card	Calculates interest charges on credit cards
Loan Payment	Computes payments on loans
Car Loan	Calculates how large a car loan you can afford
Rebate	Compares a cash rebate to a low finance rate
Lease	Compares buying a car to leasing a car
Buy-Rent	Compares the 1 and 5 year cost of buying versus renting
Affordability	Computes the most you can afford to pay for a house
Mortgage	Calculates a mortgage payment schedule for the first 60 payments
Refinancing	Determines whether you should refinance a mortgage
Life	Estimates life insurance needs
Disability	Estimates disability insurance needs
INVRET	Calculates investment returns
Bond	Finds the price of a bond
YTM	Computes the yield to maturity on a bond
Retire 1	Estimates retirement savings needs
Retire 2	Estimates the size of your retirement nest egg
Estate	Computes federal estate taxes

# Planning Your Financial Future



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