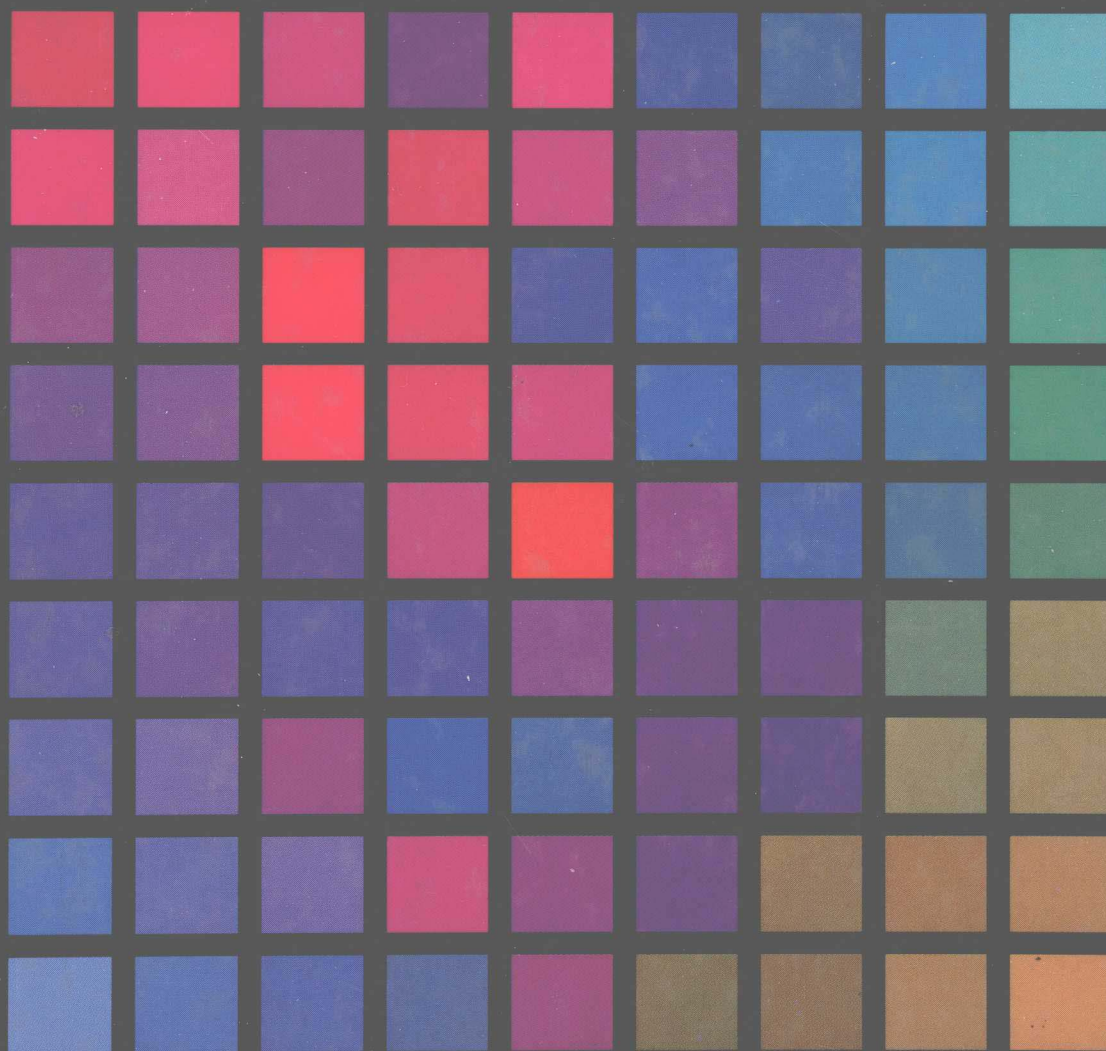


WINGER ■ FRASCA

PERSONAL FINANCE

An Integrated Planning Approach



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An Integrated Planning Approach

Bernard J. Winger and Ralph R. Frasca

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To those we love:
Crystal and Sue,
and Bob,
Mathew,
Michael J.,
Michael R., and
Tony

PREFACE

We have written this text to help the reader plan for a successful financial future—an increasingly difficult task in today's economic environment of volatile interest rates, revised tax laws, and changing financial institutions. In selecting topics and writing about them, we were guided by two objectives: First, to present the most current material available, and to do it in a lively way that relates the material to the reader's own situation; and second, to show the interrelationships among all financial decisions, and to show how these interrelationships establish a need for an integrated planning approach that takes the complete life cycle into account. We believe that these objectives are essential to a useful personal finance text, and we feel they are accomplished, both in chapter content and in the text's many important distinguishing characteristics.

Part One begins with the foundation of decision making: setting goals. The first two chapters discuss personal and financial goals for both your career and your day-to-day living. Measuring performance and budgeting for success are discussed in

Chapters 3 and 4, while Chapter 5 presents effective methods for reducing your tax obligations. Part Two deals with ways to make the right decisions in the marketplace. Deciding upon savings plans, choosing among credit alternatives, selecting consumer goods, and evaluating housing options are among the topics covered. Part Three discusses how insurance works to protect you and your family from the potential loss of your income, health, and property. Investing your money to achieve future objectives is the subject of Part Four. This section examines the relationship between risk and return, and explains how to devise an investment portfolio consistent with your net-worth goals. Finally, Part Five focuses on long-term planning, showing how to plan for your retirement and how to arrange for your estate to be economically distributed after your death.

Distinguishing Features of the Text

Decision-Making Approach

A four-part approach to decision making involves setting goals, listing alternatives, measuring

performance, and evaluating achievement. Important in this process are the concepts of opportunity costs and marginal analysis. These topics are introduced and explained in Chapter 1 and are used extensively throughout the text.

An Emphasis on Risk and Return

At the core of financial decision making is the balancing of risk and return. While this concept applies in particular to investments, it is also useful in other decisions that involve uncertainty, such as the purchase of a service contract or an insurance policy. In the investment section, we treat risk in such a way that students can use the concept when making investment decisions. Readers thus gain a practical tool as well as an understanding of the basic principles.

The Use of Action Plans An action plan is a written, step-by-step approach to solving a financial problem. This concept is explained in detail in Chapter 4 and is then employed at appropriate points in the chapters that follow. The use of action plans encourages students to think

analytically about problems, rather than memorizing answers.

An Illustrative Family As part of the decision-making approach, we introduce a typical American family: the Steeles. Their financial situation is far from perfect, and, like most of us, they make mistakes. They still manage to live a reasonably comfortable and financially secure life, although they are encountering growing financial pressures as they consider their future needs to educate their children and to provide an income for themselves in retirement. The Steele family appears in nearly every chapter, where they encounter problems common to most families. As they deal with them and make decisions, so does the reader. In many cases, an action plan details a concrete approach to the problem, allowing the student to participate in solving it.

Vignettes Each chapter opens with a vignette that describes a real-life situation, the pitfalls in a particular financial planning area, or a unique solution to a financial problem. Each vignette invites the student immediately into the chapter, and encourages enthusiasm and interest in the topics the chapter covers. The vignettes touch on such topics as lemon laws, tax loopholes, and the changing financial values within an American family.

Boxed features Each chapter contains several featured items that have been selected to add interest and to provide background. While not directly related

to the theme of the text, these boxed items augment its coverage. Many of them contain practical information, such as how to write a complaint letter, how to use the personal computer in personal finance, and how to determine your credit rating.

Marginal Notes The text is enhanced by marginal notes that do not simply define key terms, but rather reinforce the discussions of subjects by emphasizing important ideas behind the concepts.

The Use of Color, Graphics, and Other Visual Aids The sophisticated graphic treatment in this text is meant to heighten interest in the topic at hand and to illustrate the concept in a concrete and effective way. The illustrations are both analytical and inviting, and the photographs add a practical tone by illustrating real-life financial situations in detail.

An Informal Writing Style To help the reader comprehend the many complex aspects of personal finance, we employed in this text an informal writing style that brings the student into the discussion without simplifying the concepts involved. We have been careful to explain new or unfamiliar terms, to use examples where appropriate, and to speak engagingly to the student.

A Complete Complement of End-of-Chapter Learning Aids Each chapter concludes with the following study aids:

Summary. A brief review of the major topics discussed.

Key Terms. A list of the important concepts in each chapter, accompanied by the page number where each key term is introduced and defined. To help the reader locate them, the key terms appear in boldface type within the chapter.

Problems and Review Questions. A list of questions meant to provide the basis for a review of textual material and to stimulate thought and discussion on the chapter's content.

Cases in Personal Finance. Two cases that, when completed, provide additional insight into the topics covered. These study aids are more challenging than the problems and review questions, requiring a firm grasp of the fundamentals and more computation.

Helpful Readings. A brief list of informative sources and survey articles.

Supplementary Materials This text is accompanied by a complete list of supplementary teaching aids for both the instructor and the student.

Student Study Guide. Paul Allen of Sam Houston State University has prepared the Study Guide to assist students in completing this course. For each chapter of the text, the guide contains highlights, a review of key terms, and test questions. The self-test items consist of matching concepts, sentence

completions, true-false statements, multiple-choice questions, and learning exercises.

Instructor's Manual and Test Bank. The Instructor's Manual, also by Paul Allen, includes extensive summaries that highlight essential points in each chapter. Also included are answers to the end-of-chapter questions and sample solutions for the cases.

The manual contains a test bank of over 1,000 questions. For those adopting this text, the test bank is also available on a computer disk, along with complementary software for generating examinations keyed to chapters in the text.

Spreadsheet Templates.

Several spreadsheet programs are available for use on personal computers. These programs may be used for planning and forecasting, and as decision-making aids. To help the instructor in this area, we have taken many of the examples and problems in the text and placed the data on

templates for use in conjunction with the commercial spreadsheet *Lotus 1-2-3®* on the IBM-PC.

We usually learn by doing, and this text gives students plenty of opportunities to both do and learn. The decision-making approach enlivens the classroom, simplifies the teaching process, and encourages independent analysis on the part of the student. *Personal Finance: An Integrated Planning Approach* presents personal finance in a way that is easy to understand, easy to teach, and interesting to learn. We hope that you enjoy this text.

Acknowledgments

To complete a work of this scope requires the assistance of many dedicated professionals. To begin with, we are grateful to Charles E. Merrill Publishing for engaging the services of seven excellent reviewers: Paul Allen (Sam Houston State University), Benny D. Bowers (University of North Carolina at Charlotte), Loren Geistfeld (Ohio State Uni-

versity), Vickie L. Hampton (University of Texas at Austin), Walter H. Johnson (Cuyahoga Community College), Joe Samprone (Purdue University), and Michael Solt (University of Santa Clara). This text is unquestionably strengthened by their contributions and we welcome this opportunity to publicly thank them and acknowledge their efforts.

We also feel members of Charles E. Merrill's staff should be recognized for their work and, more importantly, for their enthusiasm for the project. Steven G. Smith, the administrative editor, and Tracey E. Dils, the developmental editor, guided and directed the project from beginning to end. Their commitment to its successful completion went beyond what an author usually expects from a publisher. Finally, the services of Rebecca Money Bobb, the production editor, were outstanding and can be appreciated only by those who saw the original manuscript.

Bernard J. Winger
Ralph R. Frasca

PERSONAL FINANCE

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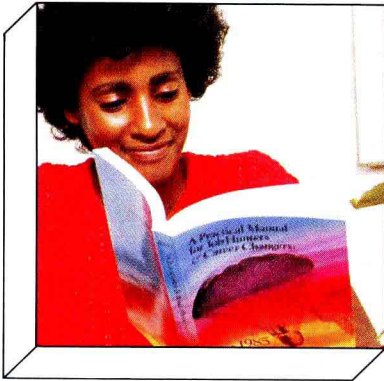
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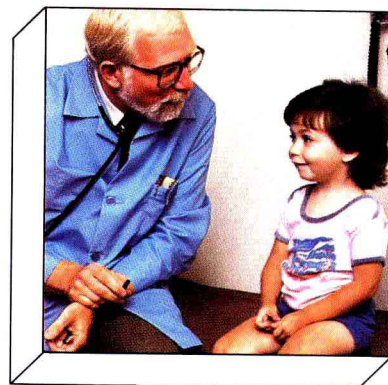
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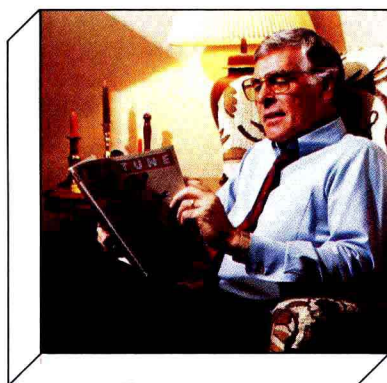
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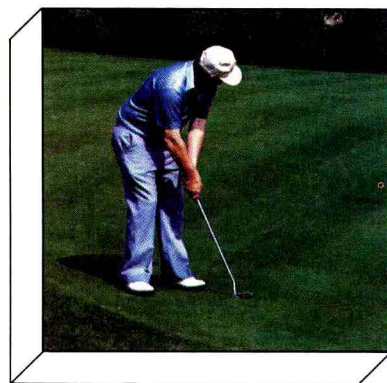
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