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CONTEMPORARY PERSONAL FINANCE

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Random House Business Division

New York

To Paul S. Donnelly,

whose energy, insight, and innovativeness have
made a profound impact on our careers.

First Edition

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Preface

Our motivation for writing *Contemporary Personal Finance* is based on two beliefs. First, we recognize how important the study of personal finance is for college and university students. Few other courses can have such a profound effect on students for the remainder of their lives. One need only talk briefly with the typical business student to realize how little he or she knows about such fundamental personal finance topics as insurance, personal budgeting, checking and savings accounts, and investing. Too many of these students are well-versed on corporate finance but cannot prepare their own personal financial statements. They are at a major disadvantage compared to the student who has taken a quarter or semester of personal finance.

Second, we are concerned with the general quality of personal finance texts. Many are inadequately researched, poorly written, stodgy in appearance, and lacking in teaching materials and pedagogical aids. Some texts are similar to the numerous “how to” books that offer hundreds of suggestions but provide little or no conceptual foundations on which to base these suggestions. Other texts provide incomplete coverage, altogether ignoring or giving only superficial treatment to such important topics as mutual funds, the impact of career choice on personal finance, consumer decision making, and many types of nonstock investments. Still others, with their amateurish cartoons and drawings, look more like high school books than college texts.

We have written *Contemporary Personal Finance* to provide instructors with the kind of quality text that personal finance courses merit, one that provides a thorough, conceptually sound treatment of the subject. Concepts are reinforced by hundreds of real-life examples, up-to-date illustrations, and problem-solving approaches. The writing style, text organization, and emphasis on practical applications are designed to relieve students of the tedious, boring reading that has often characterized the study of personal finance.

A Readable Text with Personal Finance Concepts Emphasized by Real-World Examples

At first glance it is obvious that students will enjoy reading and studying *Contemporary Personal Finance*. Each chapter begins with a quiz, “Testing Your Personal Finance I.Q.,” that provides a humorous pretest to materials covered in the chapter (answers to the quiz are near the end of each chapter). Following the quiz is a stop-action case involving an actual personal finance student who has a problem related to the chapter’s topic. Later in the chapter the reader sees how the student applied the chapter materials to solve his or her problem. This technique is effective in showing students the immediate application of subjects discussed in class.

In addition, a number of interesting and reinforcing aids are included in each chapter. Photos and illustrations are used throughout the text to emphasize application of its various concepts. In addition, special focus boxes are included in each chapter. Examples include “What to Do When the IRS Calls,” “Electronic Banking,”

“Protecting Yourself Against Credit Card Fraud,” “How to Buy a Personal Computer,” “Securities: Knowing When to Sell,” “How to Find a Reliable Mechanic,” “Investors’ Most Common Mistakes,” “How to Sell Collectibles and Come Out Ahead,” “The Unisex Insurance Controversy,” “How Much Life Insurance Should You Buy?” and “Building a Case for Term Insurance.”

Stressing Pedagogical Soundness

Contemporary Personal Finance is designed to be an effective teaching and learning tool. It stresses pedagogical soundness by identifying specific learning objectives for each chapter. Key terms are defined and featured clearly in the margin of the page where they are discussed. The most recent statistics available are used throughout each chapter, and tables, figures, and other text data are clearly referenced. Summaries and end-of-chapter review questions reinforce student retention of the concepts developed in the chapter. Case problems and exercises are included at the end of each chapter for special student assignments and to stimulate class discussions.

Organization of *Contemporary Personal Finance* Provides Accepted, Orthodox Coverage

Surveys of personal finance instructors revealed a preference for ordering topics under the “life-cycle” approach. *Contemporary Personal Finance*, therefore, discusses topics in the following logical sequence: career choice; developing a financial plan; preparing personal financial statements and a budget; setting up checking and savings accounts; understanding the role of credit; making major purchases; purchasing protection in the form of different types of insurance; alternative investment considerations; investigating Social Security; making retirement plans; estate planning; and preparing a will. Professors who use the text in their courses will not face the problems involved in radically altering the sequence of topics covered.

Separate Chapter Coverage of Important Personal Finance Subjects

While many textbooks skim or altogether neglect several personal finance topics, we feel that the areas of investment clubs, mutual funds, career choice, consumer decision making, the transportation decision, Social Security, and nonstock investment alternatives are too important to ignore. Therefore, each of these subjects is given detailed treatment in its own chapter.

A Complete Instructional Support Package Is Available

Contemporary Personal Finance is available with a complete teaching/learning package, designed for both instructor and student. The package includes:

Instructor’s Resource Manual. We have prepared the most complete manual available with any personal finance text. The manual includes a lecturer’s guide, a section on organizing the course, and detailed materials for each chapter. The following sections are provided for every chapter:

- Overview
- Testing Your Personal Finance I.Q.
- Teaching Goals
- The Stop-Action Case

- Lecture Outline and Notes
- Introductory Examples
- Key Terms
- Answers to Review Questions
- Answers to Cases and Exercises
- Guest Speaker Suggestions
- Sources of Information
- Films for the Chapter

Test Bank. The 1,000-item Test Bank includes true/false, multiple choice, and essay questions. The Test Bank was prepared by Professor James W. Baird of Community College of the Finger Lakes.

Student Course Mastery Guide. This comprehensive aid for students was prepared by Professor Les R. Dlabay of Lake Forest College. It includes an array of text learning activities to reinforce material in the text, as well as enrichment activities to broaden the student's perspective and help bring the concepts to life.

Film Guide. A comprehensive film guide, containing descriptions of each film and mailing address of each film source, is included in the *Instructor's Resource Manual*.

Transparencies. A total of 100 transparency masters have been prepared to augment class lectures. Descriptions of each transparency are included at appropriate points in the lecture materials for each chapter. The transparency masters are included in the *Instructor's Resource Manual*.

The authors gratefully acknowledge the contributions of many people—colleagues, students, business professionals, government employees, members of trade associations, and the professionals at Random House—for their invaluable critiques, questions, and advice in making *Contemporary Personal Finance* a reality. We would also like to express our appreciation to Cindy Childree, Dot Martin, Jeanne Monk, Jane Sawyer, Kitty Sawyer, and Linda Troup for their invaluable assistance in typing the manuscript. The efficiency of our research associates, Judy Block, Shelly Orr, and Rose Burch Stabler, in updating statistical data greatly assisted in producing the most current book possible.

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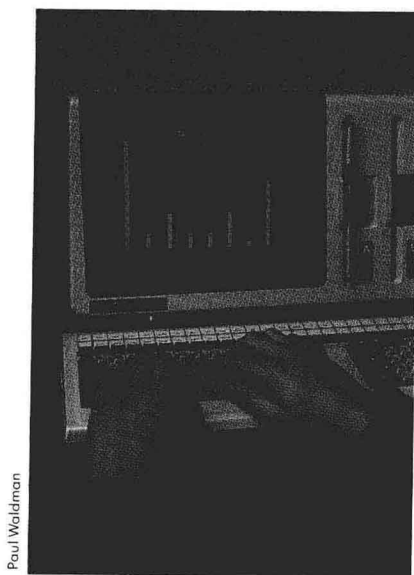


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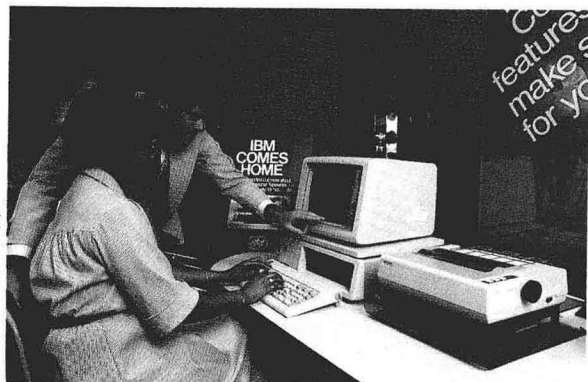
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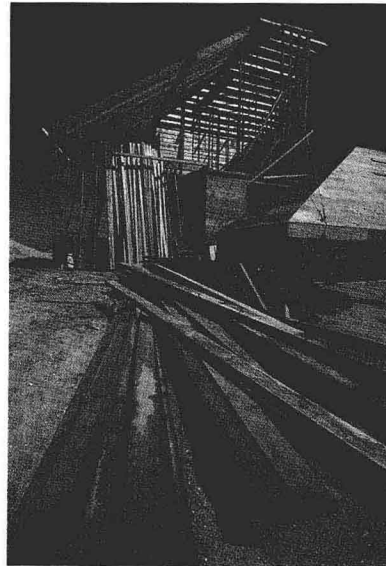
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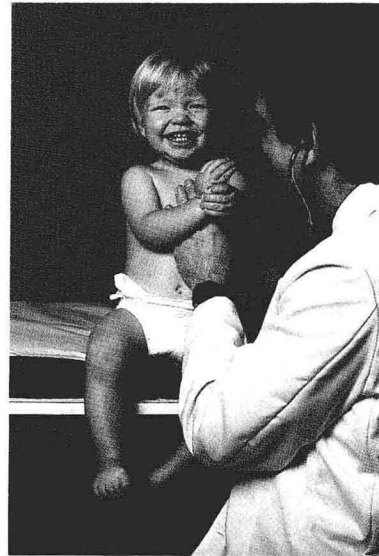
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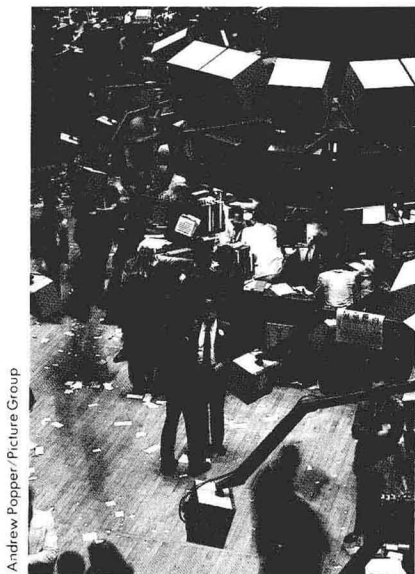


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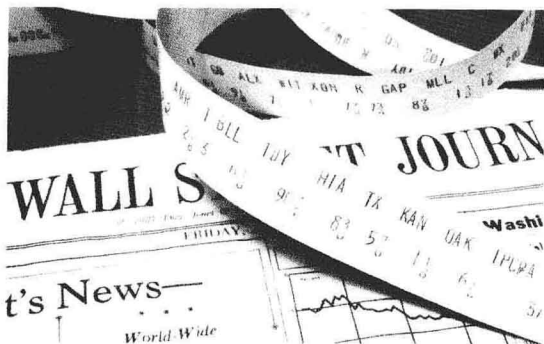
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