

Chapter 1 – Personal Financial Planning

I-Summary

This chapter helps you understand that personal financial planning means managing your money so you can achieve financial independence and security. To help you do this, you can follow six steps to financial planning:

- 1.** Determine your current financial situation.
- 2.** Develop financial goals.
- 3.** Identify alternative courses of action.
- 4.** Evaluate alternatives.
- 5.** Create and use your financial plan of action.
- 6.** Review and revise your plan.

Remember that the most important factors that influence personal financial planning are your life situations, your personal values, and outside economic factors.

When you make financial decisions, you must make choices and give up something. These are called opportunity costs, or trade-offs, which can be personal or financial.

You can achieve your financial goals and avoid money problems by using eight strategies:

- 1.** Obtain.
- 2.** Plan.
- 3.** Spend wisely.
- 4.** Save.
- 5.** Borrow wisely.
- 6.** Invest.
- 7.** Manage risk.
- 8.** Plan for retirement.

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I-Quiz

1. What is the study of the decisions that go into making, distributing, and using goods and services?
 - A. values planning
 - B. economics
 - C. personal financial planning
2. Getting a college education, buying a car, and starting a business are examples of:
 - A. opportunity costs
 - B. plans
 - C. goals
3. What is the first step of developing a personal financial plan?
 - A. putting away money
 - B. determining your current financial situation
 - C. finding sources of financial information
4. Which one of the following factors does NOT influence your day-to-day decisions about finances?
 - A. your life situation
 - B. your personal values
 - C. your location
5. A person who purchases and uses goods or services is known as:
 - A. a consumer
 - B. a creditor
 - C. a purchaser

Answer Key

1. B
2. C
3. B
4. C
5. A