**Rewards of Sound Financial Planning:**

* Improving your standard of living
* Spending money wisely
* Accumulating \_\_\_\_\_\_\_\_\_\_\_\_\_

**Personal Financial Planning:**

* **S**ystematic process that considers important elements of an individual’s financial affairs to fulfil financial goals

**Financial Goals:**

* Results that an individual wants to attain
* Utility and cost are to be considered when evaluating alternative qualities of life, spending patterns, and forms of wealth accumulation
  + *Money and utility are linked to psychological concepts of values, emotion, and personality*
* Financial planning is an important part of the conflict resolution process

**Target Dates on Financial Goals:**

* Goal dates: Target dates in the future when certain financial objectives are expected to be completed
* Long-term goals
  + *Indicates wants and desires for a period covering about \_\_\_\_\_\_\_ years out to the next 30 or 40 years*
* Short-term financial goals
  + *Set each year and cover a 12-month period*
* Intermediate goals
  + *Bridge the gap between short- and long-term goals*

**Types of Financial Planning:**

* Asset acquisition
* Liability and insurance
* Savings and investment
* Employee benefit
* Tax
* Retirement and estate

**Financial Planning Concerns:**

* Managing two incomes
* Managing employee benefits
* Managing finances in \_\_\_\_\_\_\_\_\_\_\_\_\_economic times

**Financial Planning Players:**

* Government
  + *Source of revenue for business and wages for consumers*
* Business
  + *Important part of the circular flow of income that sustains a free enterprise system*
* Consumers
  + *Consumer choices determine the kinds of goods and services that businesses provide*

**Factors that Determine the Personal Income:**

* Place of residence
  + *Difference in salaries earned*
  + *Difference in living costs*
* Career
  + *Social, demographic, economic, and technological trends influence decisions regarding the fields that offer best opportunities for future*

**Steps for Career Planning:**

* Identify interests, skills, needs, and values
* Set specific long- and short-term career goals
* Develop and use an \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_to achieve those goals
* Review and revise career plans as the situation changes

**SUMMARY:**

* Sound financial planning is necessary for achieving financial objectives
* Planning what to do with one’s money and spending and investing it wisely involves personal financial planning
* Financial goals help in \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ financial goals
* Financial planning constitutes a dynamic environment including business and consumers

**There are Four Basic Economic Activities of Consumers:**

* Earning
* Spending
* Savings
* Borrowing

**Earning:**

* Earning --- gaining money by working, owning a business, or receiving investment returns. Money gained from earning is called *earnings*.
* A person’s career choices, ability to find employment, and ability to advance determine his or her expected earnings and standard of living.

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**Spending:**

* Spending --- using money to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ goods and services.
* The way a person spends money determines the value received and influences the economy.
  + Each purchase contributes to the demand for the product or service purchased

**Law of Scarcity:**

* Law of Scarcity: An economic system cannot produce all goods and services that consumers want, and most consumers do not have the resources to purchase everything they want.
  + Choices must be made about how limited resources (\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_) are used.

**Trade-offs and Opportunity Costs:**

* Because of scarcity, any time a choice is made there are alternatives that are not chosen.
* When making a choice, other alternatives must be sacrificed.
* The highest-valued alternative that must be given up when a choice is made is the opportunity cost of the choice.
* The choice of one item while giving up another is called a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

**Responsible spending:**

* Responsible spending includes researching and planning purchases in advance and making wise choices in light of opportunity costs and trade-offs that apply

**Saving:**

* Saving --- putting aside money for later use.

Money may be “\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_” in a bank account or in a wallet.

* + - The form of savings used determines the financial return

“Later Uses” For Savings

* + Emergencies
  + Recurring expenses
  + Future purchases
  + Financial goals
  + Retirement

**Benefits of Saving:**

* Provide money for future purchases
* Can be used to earn income
* Produce a healthy economy
* Increase personal financial security
* Provide growth opportunities for business ventures

**Borrowing:**

* Borrowing --- obtaining money, goods, or services at present in exchange for the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of future payment . . . “Buy now, pay later.”

Examples of Borrowing

* + Buying with a credit card
  + Buying on installment
  + Payday loans
  + Cash advances
  + Layaway purchases

**Reasons for Borrowing:**

* + Major purchases
  + Emergencies
  + Convenience
  + Prepare for future goals
  + Take advantage of good sales/offers
* Responsible borrowing means borrowing \_\_\_\_\_\_\_\_\_\_\_\_ what can be paid back when due!!!!!