PFR Study Guide Ch. 10 Personal Financial Planning

Be thorough in your answers!!

1. Using the following words, write a coherent paragraph about **your personal financial planning goals**. Make sure the words are used in the correct context.
2. personal financial planning
3. goals
4. values
5. liquidity
6. service
7. good
8. consumer
9. interest
10. time value of money
11. principle
12. future value
13. annuity
14. present value

2. What are four guidelines when setting financial goals?

1. Describe at least two benefits of financial planning:
2. What is the first step in the financial planning process?
3. What is the main cause of inflation?
4. What is the difference between tangible and intangible items?
5. What is the central banking system of the US called?
6. What is the term for the situation in which you earn interest on your previously earned interest? Or charged interest on the interest you were already charged?
7. Give an example of a short term, a medium term, and a long term financial goal you have? (Hint: Look at the definition and the time frames.)
8. List five goods and five services.
9. As the loan term of a car (time of the loan) goes up, what happens to the total price paid for the car? What happens to the loan payment?
10. Name two advantages of having a personal financial plan.
11. What role do values play in creating a personal financial plan? Provide two examples of how different values might lead to different financial goals.
12. With which type of investment would the liquidity risk be highest: a baseball card collection, a savings account or money hidden in a dresser drawer? Explain your answer.
13. Categorize the following goods as consumable, durable, or intangible: a) concert tickets, b) leisure time, c) microwave, d)college education, e)gasoline for your car.
14. How might the popularity of a certain brand of clothing affect its price?
15. If the price of renting a video increases yearly based on the rate of inflation, how much would a video that you rented last year for 3.50 cost this year, if the rate of inflation was 4.3 percent?
16. Janetta has decided to donate half of what she earns to an organization that helps the homeless. She is saving the other half to buy a car. What are the opportunity costs of her decision? What role do her values play in making the financial plan?
17. Why does compounding interest benefit someone who is saving money?
18. What are the two main reasons that people invest?