

## **Personal Finance © 2012**

### **Chapter 3: Personal Financial Planning**

#### **Check Your Answers: Section Assessment**

##### Section 1

#### **Review Key Concepts**

1. Personal financial planning is managing your money to achieve financial independence and security.
2. Determine your current financial situation; develop financial goals; identify alternative courses of action; evaluate alternatives; create and use your financial plan of action; and review and revise your plan.
3. Factors include life situations, personal values, and outside economic factors.

#### **Higher Order Thinking**

4. Answers will vary. Sample answer: Spouses who disagree about how much to spend on certain goods or activities may have frequent arguments. To reduce arguments, they need to communicate with each other before making decisions.

#### **21st Century Skills**

5. **Work Creatively with Others** Role plays will vary but students should recognize that leaving finances up to chance can be very risky. Planning takes time, but in the long run it is worth the effort. Students may tell the classmate that financial planning is a powerful tool that can help him or her achieve goals.

#### **Mathematics**

6. **Effects of Inflation** Price after year 1 =  $(\$2,600 \times .03) + \$2,600 = \$2,678$ ; Price after year 2 =  $(\$2,678 \times .025) + \$2,678 = \$2,744.95$ ; OR Price after year 2 =  $\$2,600 \times 1.03 \times 1.025 = \$2,744.95$

##### Section 2

#### **Review Key Concepts**

1. Whenever you make a choice, you have to give up some of your other options. You have to decide how to use your personal resources.
2. The time value of money is the increase of an amount of money due to earned interest or dividends.
3. Obtain, plan, spend wisely, save, borrow wisely, invest, manage risk, and plan for retirement

### **Higher Order Thinking**

4. The statement means do not spend more than what you have. Students should say that it is good advice because one of the eight strategies discussed in the chapter is spending wisely.

### **English Language Arts**

5. **Weighing Options** Answers will vary but may include: Personal costs—time, socialization, entertainment. Personal benefits—gain knowledge, acquire skills, an increased chance of further education, personal satisfaction. Financial costs—money for tuition and supplies, payback of student loans, possible loss of pay. Financial benefits—qualify for a career with good pay, greater opportunity to find employment.

### **Mathematics**

6. **Future Value of a Series of Deposits** Estimated down payment =  $\$200,000 \times .15 = \$30,000$ ; Multiplying factor from Figure 4 = 7.336; Future value =  $\$3,500 \times 7.336 = \$25,676$ ; Additional savings needed =  $\$30,000 - \$25,676 = \$4,324$