

THINK CRITICALLY

Handwrite your responses in the space below; 2 sentences each.

1. What is the purpose of a financial plan?
2. List the five steps in creating a financial plan.
3. What types of information or documents are needed to create a financial plan?
4. What information should you be able to learn from your personal balance sheet?
5. Why are personal goals set before financial goals? How do financial goals help make achieving personal goals possible?
6. How are short-term goals different from long-term goals?
7. What does the term delayed gratification mean?
8. How often should you review your financial plan at a minimum?
9. Why might you choose a financial planner who does not work on commission rather than one who does?



EXCEL PROBLEMS

Use Excel to solve the problems below and email the spreadsheet as an attachment.
MAKE SURE TO USE FORMULAS IN YOUR WORK!
 (don't just type the answers)

Personal Financial Plan

1. Review the example of one goal in a financial plan shown earlier in the chapter.
2. Gather the personal income and expense statement, the personal balance sheet, and the personal budget you created earlier. Gather any other financial documents you have. See the list under "Step 1: Gather Information" for examples.
3. Use spreadsheet software for this activity. Center the following heading at the top of the document:

(YOUR NAME) FINANCIAL PLAN
Updated (current date)

4. Refer to your personal balance sheet created earlier to find your net worth amount. Enter this amount below the headings. For example:

Net Worth on (current date) \$525.56

5. Below the net worth information, create a table with four columns as shown in the sample Personal Financial Plan. Enter the following column headings:

Personal Goals
Financial Goals
Steps to Take
Timeline

6. Think of a personal goal you would like to accomplish within the coming year. List this short-term goal in the table under Personal Goals.
7. Think of the financial goal or goals you will need to meet in order to achieve the personal goal. List these goals in the table under Financial Goals.
8. Determine the steps you will need to take to achieve the financial goals. Refer to your budget and income and expense statement. Do you need to increase your income or savings to meet the goals? Do you need to decrease expenses? List the steps you will take to meet the goals in the table under Steps to Take.
9. Set a time for completing each step you listed. Enter the completion time for each step in the table under Timeline.
10. Repeat steps 6 through 9 to list other goals. List at least one more short-term goal to be achieved in 2 years or sooner. List at least two intermediate goals to be completed within 3 to 5 years. List at least two long-term goals to be completed in more than 5 years. You may list as many other goals as you wish. For the long-term goals, the steps to take may be more general than for the short-term or intermediate goals. Having long-term goals that you do not yet know exactly how to accomplish is fine.
11. Work toward achieving your goals by taking the steps you have listed. Refer to your timeline often to see if you are accomplishing the steps or goals when planned.
12. At least once a year, review and revise your financial plan. Check off goals that you have achieved. Add new goals as your needs and wants change over time. Refine the steps to take in achieving your long-term goals as the steps needed become clearer.