

Name: _____ Period: _____ Date: _____

Study Notes: Managing Your Finances Key

A financial plan involves three steps:

1. Specifying financial Goals
2. Financing and investing plans
3. Following the plan

Seven component of a financial plan to build a solid future

1. Budget and taxes
2. Liquidity management
3. Personal financing
4. Protecting your assets and income
5. Personal investing
6. Retirement and estate planning
7. Communication and record keeping

___ **Budgeting** ___ is the process of forecasting future expenses and income.

Net worth = ___ **assets** ___ - ___ **liabilities** ___

___ **Income** ___ may come from many sources such as allowance, wages, child support, interest earned on assets and monetary gifts.

___ **Liquid Assets** ___ refers to readily available cash. If cash is not available, many people use credit.

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Typically people cannot pay cash for homes or cars so they purchase these items by _____ **financing** _____ them.

The most common plan for _____ **Risk** _____ management is insurance. Common things that people insure are:

1. **homes**
2. **cars, boats, recreational vehicles**
3. **health and disability**
4. **life**
5. **valuable assets**

_____ **Investing** _____ may be done to accumulate funds for liquidity or with the intention of earning money. Common investments include:

1. **stocks**
2. **bonds**
3. **mutual funds**
4. **real estate**

The _____ **government** _____ provides ways to save for retirement that allows you to accumulate wealth without paying taxes until you retire.

At the point of your death _____ **records** _____ of your finances will be important to your heirs.