

Personal Financial Planning Curriculum  
Face-to-Face Sessions

**Session # 1 Basics of Personal Financial Planning**

**1. The Good Life**

Ask the class what the good life means to them. Obtain as much participation as possible.

Explain how having a stable financial life can help consumers have a good overall life.

"Being able to afford the things you want and desire without having to stress about how to pay for such things"

**2. Factors that affect your ability to live the good life**

- Skills and talents (ask students what their skills are and somebody would be willing to reward them for such skills). If they do not think their skills are valuable, then it would be a good idea to go to college and learn some new skills.
- Education
- Career choice (some careers pay better than others. Tout a business career as a potentially lucrative career)
- Gender
- Geographic region
- The decisions that people make with the money they have

**3. Show Video (Track-O-Matic)**

Stress how the Track-O-Matic does not exist and how careful planning is needed when making purchase decisions

**4. How do I make good financial decisions?**

Stress prioritizing by determining Needs VS Wants

Look at the examples provided in the following slide

Stress prioritizing by determining the timing of the needs to be fulfilled Current VS Future Needs

Look at the examples provided in the following slide

**5. Planning and prioritizing**

Show the example provided for Short-Term, Medium-Term, and Long-Term planning

Provide students with the Financial Goals Worksheets so that they can start planning. This exercise should take about 10 minutes to complete

**6. Savings**

The importance of having an emergency fund

**7. Show video "Starting an emergency fund"**

**8. Average propensity to consume**

Explain how having a high average propensity to consume means to just having enough income to barely survive

## Session # 2 Financial Health

### 1. Explain what it means to be financially healthy

### 2. Ask students if they know how financially healthy they are

Explain that financial statements are tools that enable the user to know what their financial health looks like

### 3. Personal Financial Statements

Introduce the three personal financial statements and explain what they do

### 4. The Balance Sheet

Explain once again what it does. Stress that the balance sheet changes every time a person makes a financial decision

Show the equation upon which the balance sheet is based

Define assets, liabilities, and net worth

Go over the asset side of the balance sheet. Explain that assets are organized in terms of how liquid they are. Define liquidity.

Go over the liabilities side of the balance sheet. Explain that liabilities are organized in terms of how soon those debts need to be fulfilled.

Go over net worth. Offer net worth examples. Explain how net worth is also known as equity.

Define equity.

Define insolvency and explain how young people are more likely to be insolvent.

Ask students to fill out their personal balance sheet and to determine whether or not they are insolvent.

### 5. Show video "Creating Long-Term Wealth"

### 6. The income statement

Explain what it does

Define Income

Define Expenses

Define the "Bottom Line" and how it can be positive, negative, and zero

Explain Cash Surplus and Cash shortage

Ask students what they would do with a surplus of cash (answer should be save it)

Ask students what they would do with a deficit (watch spending, find a better paying job, or getting a second job)

Go over the example provided in the slide

Stress how important it is to have meaningful categories for expenses. The better organized an income statement is, the easier it is to use.

Ask students to fill out their personal income statement. Ask them to make decisions based on their bottom line. If students do not have a source of income, ask where it is that they get money to take care of their personal expenses.

## 7. Budget

Explain what it does

Stress how it is closely tied to an income statement and how if an income statement is not well organized, the budget will be useless.

Stress that the goals of the budget is to change spending habits.

Go over the example and stress how the user was not successful at curbing his entertainment expense. Discipline is important when trying to stick to a budget.

Ask students to develop a budget and come up with some goals. This is a more difficult assignment, since it requires actual numbers to be obtained in the future. Ask students to track their spending habits for a month and to make a determination about the effectiveness of their budget.

## 8. Go over the financial planning process

### **Session 3: The Financial Life Cycle**

1. Explain the Financial Life Cycle and stress how as goals are fulfilled (or unfulfilled) new goals emerge.

2. Go over the stages or phases of the financial planning cycle

3. Asset acquisition phase

Stress how making the right decisions when acquiring (buying) assets has a great impact on people's financial health.

Explain the examples provided in the slide

4. Show video "Buying a Car"

5. Asset acquisition phase (continues)

Deciding to use cash or borrowing when making asset purchases

Reasons to use cash

Reasons to borrow

Wrong reasons to use cash

6. Using credit wisely

Stress the negative consequences of abusing credit

Stress the importance of consulting the personal budget before considering borrowing money

How to calculate monthly payments

Follow the link to use internet resources to calculate installment loan payment amounts

Explain what an installment loan is

Explain what a credit report is and how creditors use such report

Explain what a credit score is and its impact on people's financial life

Explain how even potential employers look at potential employee's credit reports as part of potential employee's background checks.

#### 7. Video "Put it on Credit"

#### 8. Liability and insurance planning

Explain why assets need to be protected

Explain why one's life needs to be protected

Ask students if they need life insurance right now (the answer is most likely no, since they do not have any dependents).

Using liability insurance to protect your assets and income from lawsuits

Using business liability insurance to protect business' income and assets

Stress the importance of consulting a "capable and knowledgeable" insurance professional

#### 9. Savings and retirement planning

Stress the importance of an emergency fund and how it should be at least three months of take-home pay.

Stress the importance of replenishing the fund immediately after it is used

Stress the importance of using that fund only for emergencies

Go over other examples of worthy investment goals

A college fund

Retirement

Saving money for down payments for big ticket items

Saving money to start a business venture

#### 10. Employee benefit planning

Go over some of the benefits that employers may offer employees

Stress the retirement benefit package and explain that matching contributions from employers to employees' retirement accounts should always be considered

Explain how the decision to take a job offer should not be based on salary alone, but as a combination of salary and benefits

### **Session 4: Planning for Retirement**

#### 1. Explain why it is important to plan for retirement

#### 2. Ask students what retirement looks like

When should you decide to retire?

What does retirement looks like? (Ask students this question, there should be a great array of responses). Point out that the slide only shows old people. Is this always true?

Is retirement about age?

#### 3. Show Video "Retirement"

Stress how those college students were pretty much clueless about retirement planning and how retirement planning should start earlier in life.

#### 4. Retirement is about money

Stress the importance of having enough money to retire on your own terms and how planning early makes a big difference on the lives of retirees.

#### 5. Consequences of not planning for retirement

Show the slide and explain. Ask students what they think about it.

Stress how going back to work while in the later years in life may be difficult (skills may be outdated, competing against younger people for the same job, not having the same level of energy to fulfill job duties)

Stress the fact that 17% of elderly people live in poverty in the United States

#### 6. Pitfalls to retirement planning

Explain

#### 7. How does saving for retirement work?

Compare saving for retirement as a snowball rolling down a hill

Explain compound interest and why it is important to retirement planning

#### 8. How much do I need to retire?

Go over the factors that people should consider to determine how much they need. Stress the fact that social security may not be there by the time they retire, so relying on the government to take care of them is out of the question.

Explain what inflation is.

Explain the time-value of money (a dollar today is worth more than a dollar tomorrow mainly due to inflation and loss of purchasing power of one dollar). Give an example such as grandparents telling them how they could go on a movie date with a nickel.

#### 9. How much do I need to retire?

Follow link and ask students to figure out how much of their income they should put away to retire. Chances are they will not put away enough money to retire comfortably. This should shock them into planning for retirement at an earlier age.

#### 10. What about risk

Explain what risk is and how investment return is tied to risk

Stress the importance of consulting with an “ethical, capable, and knowledgeable” financial adviser.