

Independent Study in Idaho

FCS 346 Personal and Family Finance and Management

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## **Course Guide**

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## **Family and Consumer Sciences FCS 346**

Personal and Family Finance and Management

University of Idaho
Four Semester-Hour Credits

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## FCS 346: Personal and Family Finance and Management

4 Semester-Hour Credits: U-Idaho

## Welcome!

Whether you are a new or returning student, welcome to the Independent Study in Idaho (ISI) program. Below, you will find information pertinent to your course including the course description, course materials, course objectives, as well as information about lessons, exams, and grading.

## **Policies and Procedures**

## Important!

As you read this section, you will see the following icon:



Use this icon to direct yourself to essential ISI information. Students are responsible for following ISI's policies. Refer to ISI's website at **www.uidaho.edu/isi**, select *About ISI*, *Policies* for the most current policies, procedures and course information. If you have any questions or concerns, please contact the ISI office for clarification before beginning your course.

## **Course Description**

Principles and procedures of individual and family management and their relationship to human and economic resources; applications of management principles to spending, saving, borrowing and investing decisions.

Required: Internet access, calculator, access to a computer, digital camera Recommended: Microsoft Word, Excel, PowerPoint 10 graded assignments, 6 proctored exams Available online only

## **Course Materials**

#### **Required Course Materials**

Garman, E.T. & Forgue, R. *Personal Finance, 11<sup>th</sup>* edition. Mason, OH: South-Western, Cengage Learning, 2012. ISBN 13:978-1-111-53101-0.

There is an excellent website for this course. The online materials are a great way to learn the material and include such things as links to the PowerPoint slides, interactive quizzes, helpful calculations, exams, book resources, and ancillary materials. This information is set up by chapter, so it is very easy to navigate. This also can be helpful in guiding your study for exams.

Independent Study in Idaho course materials are available for purchase at the VandalStore (University of Idaho bookstore). Your *Registration Confirmation Email* contains the VandalStore's contact information.

Independent Study in Idaho courses are updated and revised periodically. Ordering course materials from the VandalStore at the time of registration allows you to purchase the correct edition(s) of textbooks, course guides, and supplemental materials. Contact the VandalStore directly for questions regarding course materials that you have ordered.

If purchasing textbooks from another source, refer to the ISBN(s) for the textbook(s) listed for this course to ensure that you obtain the correct edition(s).

## **Course Delivery**

This course is available online. An electronic course guide is accessible through BbLearn at no additional cost. Refer to your *Registration Confirmation Email* for instructions on how to access BbLearn.

## **Course Introduction**

Welcome to Personal and Family Finance and Management. We begin with having you think about what money means to you and how that affects your spending and saving decisions. Throughout the summer you will learn things that enable you to deal more confidently with the many aspects of your financial life. The majority of the course involves an introduction and overview of concepts and skills you will use throughout your life in your personal financial management activities. Topics include developing financial goals and plans, budgeting, developing or refining a personal financial file system for record keeping, building good credit, credit cards and loans, tax planning, making major purchase decisions, purchasing insurance, completing a home inventory, buying a home, selecting investments including stocks, bonds, mutual funds, and retirement and estate planning.

All the materials for this class will be in your textbook, the PowerPoint slides, the accompanying narrative, and through the BbLearn site. BbLearn Help is available online. BbLearn materials are organized into 16 lessons. We cover 16 of the 18 chapters in the text. Each lesson covers one chapter. Lessons are designed to introduce the chapter content and to provide the outcomes: i.e., what you will know after completing each chapter. Each includes websites to visit, materials to study, videos for a different way of learning the material, PowerPoint slides and the narrative that goes with them. The narrative is very similar to what I would discuss in class.

If you have never used BbLearn, or if you have never taken a class with online materials, I think you will find it an accessible format, but remember you have to stay self-motivated. With the aid of helpful videos and other interactive learning tools, I hope you will find the course informative as well as meaningful.

There are six exams spaced evenly through the course, and ten assignments. The last exam is not cumulative. Submitting work consistently is important to complete this course in a timely manner. Seek my help if you are having any difficulties. I know the unexpected happens. My goal is for you to be successful and to learn this material that could make a big difference in your life.

If you are having problems viewing course materials on BbLearn contact the helpdesk@uidaho.edu. The helpdesk will help you with computer related questions. For BbLearn related questions, click on the Help link in navigation panel in BbLearn.

Are you ready to learn about setting financial goals and managing your personal finances to meet them? What you learn this summer will enable you to make informed decisions regarding your personal or family finances. In addition you will develop a financial file system, or refine your existing one. Wouldn't it be nice to easily lay your hands on documents when you need them?

Exams will consist of true/false, multiple choice and short essay questions. There is a study guide for each exam. Using this guide along with the text and PowerPoint and its narrative will help you be successful.

## **Course Objectives**

Each lesson has objectives related to building your competence and confidence in managing your personal finances.

## Lessons

#### Overview

Each lesson includes an introduction to the lesson content, lesson objectives, a PowerPoint presentation, and accompanying narrative, required and suggested websites to visit, some have You Tube or other videos to watch, and ten have an assignment. The written assignments consist of practical applications of course concepts. All answers are to be written using complete sentences. Work should be spell checked and proof read.

## **Study Hints:**

- Keep a copy of every lesson submitted.
- Complete all reading assignments.
- Study the PowerPoint and its narrative.
- Complete online text quizzes for each chapter. Some of these questions may be on exams.
- Web pages and URL links in the World Wide Web are continuously changing. Contact your instructor if you find a broken Web page or URL.
- Add your own recommendations here.
- Apply what you learn to your financial life as you are gaining new knowledge.

## **Exams**

- You must wait for grades and comments on lessons prior to taking subsequent exams.
- For your instructor's exam guidelines, refer to your Registration Confirmation Email.

Refer to *Grading* for specific information on lesson/exam points and percentages.

## **Proctor Selection/Scheduling Exams**

All exams require a proctor.



Refer to the *ISI Policies and Procedures* for guidelines on how to choose a proctor and schedule exams. Complete the *Proctor Information Form* and send it to the ISI office at least two weeks prior to scheduling your first exam.

## Grading

Your course grade will be based upon the following considerations:

Assignment	<b>Points</b>	Lesson	Assignment
Assignment 1	. 20	. Lesson 1	. Setting Financial Goals
Assignment 2	. 30	. Lesson 2	. File System Assignment
Assignment 3	. 20	. Lesson 4	. Financial Services Assignment
Assignment 4	. 20	. Lesson 6	. Credit Card Evaluation
Assignment 5	. 20	. Lesson 7	. Vehicle Valuing Website Comparison
Assignment 6	. 20	. Lesson 9	. Partial Home Inventory
Assignment 7	. 20	. Lesson 10	. Living to 100
Assignment 8	. 20	. Lesson 13	. Stock Exploration

Assignment 9	20	Lesson 14	Mutual Fund Picking and Tracking Assignment
Assignment 10	20	Lesson 15	Retirement Planning Activity
Total 2	210		

## Points on assignments will be given considering that a(n):

A (565-626) represents **outstanding** effort / work above and beyond what was required. An example of outstanding effort would be thoroughly completing or exceeding assignment requirements, writing in an organized, polished manner, evidence of critical thinking, formatted to present a professional appearance with no spelling or grammar errors.

B (500-564) represents **above average** effort / work based on the requirements.

C (440-499) is average effort / work to meet basic requirements.

D (375-439) is less than average or unmet requirements.

F (>375) is significant missing or unacceptable quality of work.

Exam	<b>Points</b>
Exam 1	78
Exam 2	66
Exam 3	88
Exam 4	51
Exam 5	55
Exam 6	78
Total	<u>416</u>

The final course grade is issued after all lessons and exams have been graded.



Refer to the *ISI Policies and Procedures* for information about confidentiality of student grades, course completion, time considerations, and requesting a transcript.

## **About the Course Developer**

I have enjoyed over 25 years of teaching this practical Personal and Family Finance and Management class, and have taught an online version for many years. Though we do not meet in person you can contact me by email or, if necessary, you may call my cell phone. If you do call, please be aware that I am located in the Mountain Time zone. I am here to answer your questions and help in any way I can so that you will be successful in the class.

## **Contacting Your Instructor**



Instructor contact information is available in BbLearn.

## **Disability Support Services**



Refer to the ISI Policies and Procedures for information on Disability Support Services (DSS).

Assignment Submission Log						
Lesson	Projected Date for Completion	Date Submitted	Grade Received	Cumulative Point Totals		
1						
2						
3						
It is time to make arrangements with your proctor to take Exam 1.						
Exam 1						
4						
5						
6						
It is time to make arrangements with your proctor to take Exam 2.						
Exam 2						
7						
8						
9						
It is time to make arrangements with your proctor to take Exam 3.						
Exam 3						
10						
11						
It is time to make arrangements with your proctor to take Exam 4.						
Exam 4						
12						

13						
It is time to mak	It is time to make arrangements with your proctor to take Exam 5					
Exam 5						
14						
15						
16						
It is time to make arrangements with your proctor to take Exam 6						
Exam 6						

# Lesson 1 Understanding Personal Finance

## **Lesson Overview**

In the current economic climate, during or near the end of a distressed economy, it is more important than ever to get the most bang for your buck. During this class you'll get a little bit of economics, a little bit of psychology, and a lot of practical assignments to help you apply what you learn. Chapter 1 lays the foundation for the course and introduces you to basic information about personal finance. Some of you may come in to this course very interested in how to make your money work for you, while others many find personal finance boring or challenging. Don't worry if you fall in the latter category. I did too in my early 20s. Regardless of whether you plan your finances because you enjoy it or plan because you need to, you can be successful in reaching your financial goals. There is tremendous power in knowing how to plan and manage your financial life. The knowledge you gain in this course will give you that power.

In 2006 I had a student in class whose father was a banker. He wanted her to take the personal finance class, so with a little arm twisting she did since it was not a required course in her major. A few weeks after the course ended she emailed me that she and her dad can now discuss many financial topics, and she feels comfortable with the lingo. More importantly, she now feels in control of her money rather than having her money control her.

## **Lesson Objectives**

- Use the building blocks to plan how to achieve financial success.
- Understand how the economy affects your personal financial success.
- Apply economic factors when making financial decisions.
- Explain (but you do not need to be able to calculate) the time value of money, including present and future value.
- Make smart decisions about your employee benefits.
- Identify the professional qualifications of providers of financial advice.

## **Required Websites to Visit**

http://kiplinger.com/magazine/archives/how-to-shed-student-debt.html is a nice article on "How to Shed Student Debt."

Take the practice quiz and try the other online resources for learning the Chapter One concepts at the Cengage Brain site link <a href="http://www.wadsworth.com/cgiwadsworth/course">http://www.wadsworth.com/cgiwadsworth/course</a> products wp.pl?fid=

M20b&product isbn issn=9781111531010&token=D60F72226ECD0D27D8B15C0A54F915B3B87BC8FD

CA4B4D96B12B61EC5B7BE384366695769CFF966DBBEC75B074CF65E8

## **Reading Assignment**

Chapter 1, "Understanding Personal Finance." Read all the "extras," such as "Did You Know.'

Chapter 1 PowerPoint slides file and narrative file that goes with them.

On page 4 read "Your next five years" to get an idea of what is involved in successful financial management.

## **Introductory Lecture**

The PowerPoint for this chapter will guide your study. This narrative goes with the slides. **PowerPoint presentation:** 

## Slide 1

Someone once said, "It's not how much we have, but how much we enjoy that makes happiness." If you watched Survivor or other reality shows in which someone wins a lot of money, do you ever wonder how their life changed? Sometimes we think that if we had more money we would be happy, and for some that could be true; however I imagine you have heard the stories of lottery winners who won large amounts of money (like the first Survivor winner Richard Hatch who "forgot" to pay his taxes) and it ruined their lives. In life as with money it's not just what happens, but the way you handle what happens, that affects your quality of life. Though it takes time, if you make financial plans you will experience financial happiness and less stress. For example, do you have a plan if you needed an unexpected car repair? Who would you call? How would you pay for it? There are many advantages to having a plan for the "what ifs" in life.

#### Slides 2-3

It is hard to be successful if you don't have a plan. You can start with where you want to be in one, two, or five years. With the information you will gain in this class you will have the tools you need to reach financial happiness.

One of those tools is spending less than you take in, but how easy is it to do? If you start with spending just a small amount less than you make, say \$10 a week, you will get in the habit of saving for future needs and goals. Once you have more money to put aside you will already have developed the habit. You may be tempted to spend it all or go into debt to have more now, but that can result in stress about money. You are more in control when you track your spending and keep it in line.

## Slide 4

When you think about what is affecting your financial success right now you get some idea of where we are in the economic cycle. Do you think we are in a trough, or in the beginnings of recovery? The economy will go through numerous cycles during your lifetime.

## Slides 5-7

Recessions result in hard times for many people. The effect of less spending means great unemployment or underemployment due to fewer people hiring. When we use less credit or deleverage it could be because people are paying down debt or just that they cannot afford expanding credit payments. If you are unsure about a dependable source of income, and lower pay or fewer raises spending less is often the result. You may decide to put off major purchases such as a car or home. The uncertainty of when the economy will get better affects your confidence in your financial situation. There are some indicators used to measure what is going on with our economy, one of which is consumer confidence. See the link in Slide 7 and the sites description of these indicators along with the information in your text.

## Slides 8-10

These slides help you see how things that occur in our economy affect your financial decisions. For example, when interest rates are low more people make investments and buy vehicles and homes.

#### Slide 11

The products and services available to you and their prices are influenced by global production and demand. When we cover investing we will talk about investing globally in addition to investing in USA companies. What you pay for imports is affected by the value of our dollar.

## **Slides 12-13**

Prices may steadily go down [deflation] or they may steadily go up [inflation]. Consumers will buy less and/or more carefully when prices are rising. For example, during the recession Walmart had an increase in their customer base as people sought lower prices. Inflation sounds like a bad thing but it can mean more jobs created and wages going up. The balance between deflation and inflation is what governments try to achieve.

Did you realize that financial institutions borrow short-term from one another? The rate of interest they have to pay can be manipulated by the Federal Reserve. The Federal Reserve does this to keep that balance between deflation and inflation.

#### **Slides 14-15**

Every time you choose one thing you give something else up. By paying the fees to take this course you are either giving up spending your money and time on something else, or adding to your debt. What is the benefit? A bump up in salary, a degree, or perhaps teaching certification? Time and money are opportunity costs to consider when making decisions. Before an exam, how many of you get less sleep because you want to get a better grade?

#### Slides 16-17

When you're hungry how does that first slice of hot pizza taste? How about the first piece of double fudge cake? What about the second piece? Okay, I chose chocolate – a bad example since most people would enjoy a lot of chocolate equally. If you have a 32" TV will you get a lot of satisfaction moving to a 37" or 40" TV? Is it worth the additional cost to you? For some items the answer will be yes and for those where it is no you may decide to not eat or not buy something.

Marginal factors also relate to income tax. You are probably aware of the different tax brackets, and that the percent of the marginal tax rate goes up as your income goes up. Your financial decisions should consider your tax rate. We will talk about this move when we cover the lessons on investing.

#### Slide 18

Your current or future employer may offer a retirement plan that allows you to shelter the income you put into it from current income taxes. This "shelters" that income from taxes, deferring payment until you take the money out when you retire. Another strategy to save on taxes other than deferring them is to have income that is exempt from taxes. Certain investments, such as municipal bonds, have interest that is tax exempt – you never have to pay taxes on it. We will cover this in more depth in Lesson 4 on Managing Income Taxes.

## Slide 19

One of the most powerful concepts in this course is the time value of money. Money grows not only by earning interest but by keeping earned interest in your account and then earning interest on the interest

– compounding. Over time your money grows exponentially. Even a little bit saved grows over time. This is particularly true if you have your account in one of the several online banks like <a href="http://home.ingdirect.com/products/products.asp">http://home.ingdirect.com/products/products.asp</a> - click on their "Orange Savings Account" (in August, 2012 earning 0.80 %). Then click on the right on "Watch Our Demo" to see a visual/audio presentation about opening an account and its advantages. While this demo obviously promotes ING, it also gives you an idea about how online banks work and how to open an account. Another online bank option is <a href="https://www.emigrantdirect.com/EmigrantDirectWeb/index.jsp?source=Google&gclid">https://www.emigrantdirect.com/EmigrantDirectWeb/index.jsp?source=Google&gclid</a>

<u>=CM\_CrviJ7YsCFQXmYAodwwEPRw&fp\_keyword=online+banking&fp\_source=Google\_to\_learn\_about</u> their 0.60% American Dream savings account (rate as of August, 2012). You can have this savings account linked to your current checking account. These online banks can pay higher rates on savings since they don't have to pay for buildings – everything is done online and is FDIC insured currently up to \$250,000 per depositor.

#### Slide 20

Simple interest just involves multiplying the amount of money you have in savings times the interest rate time the time period in years.

#### Slide 21

Future value is also called compounding because you earn interest on interest. The effect of leaving any interest your account earns in your account is that the total amount of money will grow faster. Using future value calculations you can determine how much you put away today at a certain interest rate will be worth at a future date such as five years.

#### Slide 22

Present value involves thinking about now much money you will need to save now or in a series of deposits in order to have a specific amount of money in the future. You might want to attend graduate school, pay for a wedding or maybe a vacation at a certain in the future. Using present value you can determine the amount you need to save, say each month. Present value is also called discounting since you put in less than the amount you need in the future and make up the difference with earned interest. While I want you to be able to explain what present value and future value mean and how they differ, I will not ask you to do any computations for them.

#### Slide 23

The rule of 72 is an easy one to learn and you may use it often. It involves learning how long it will take your money to double, depending on what interest rate you are earning. It helps you see that shopping around for the best interest rate on your savings can make a big difference in how long it takes to double. Just divide that interest rate you are earning into the number 72.

#### **Slides 24-25**

When you start a new job you will find that employers vary in the benefits they offer. Based on your life situation some will more important to you than others. The advantage of cafeteria style benefits is that you can choose the ones you want. We will have three lessons on insurance and one on retirement planning that will help you determine the relative importance of various benefits to you.

### Slide 26

Health care costs are increasing and so you need to carefully consider what an employer or potential employer offers. Most have plans from which you can choose. One lesson later in this course is on health insurance so we will cover this in more depth later. For now, it is important to know that there

are high deductible plans that you can get when you only want large medical expenses covered and therefore pay less for coverage. This type of plan is generally paired with a Health Savings Account that lets you to have money deducted from your paycheck pre-tax, and you can use that untaxed money to pay for health care expenses not paid by you high deductible plan. Some employers will contribute money to your HSA.

#### Slide 27

Are you a good at predicting the future? Do you have any idea how much in out-of-pocket medical expenses you or your family might have in any given year? A Flexible Spending Account is a great way to have up to \$2,500 pretax dollars (i.e. no state or federal income tax is paid on this money and Social Security is not deducted from it). You can use the money to pay deductibles and copays (more on this in Managing Health Expenses lesson).

#### Slide 28

You can get a variety of insurance coverages though an employer, depending on what they offer. They will ask you to make decisions about the amount of coverage you want when you become employed. Most offer some group term life insurance, but you may want to purchase additional life insurance if you have young children or others dependent on your income. Again, we will cover this is more depth in the Life Insurance Planning lesson. The intent of this first lesson is to introduce you to a variety of issues in personal financial planning.

#### Slide 29

There are lots of decisions to be made when you begin a new job. One is about retirement plans. For many of you this is a long way off, however the decisions you make can have a big impact later in your life. Near the end of the class we have a lesson on retirement planning and we will discuss tax considerations of the various plans in Lesson Four on taxes.

## Slide 30

Now that you have had an overview in financial planning you may think that you will want additional advice beyond what you will learn in this course. If you do there are several ways to get it. Slide 30 introduces you to some things to consider when picking someone to help you.

## **Written Assignment**

## **Assignment 1: Goal Worksheet and Prioritizing Top Goals**



http://www.moneymanagement.org/Budgeting-Tools/Credit-Articles/Money-and-Budgeting/How-To-Set-and-Keep-Personal-Financial-Goals.aspx. Read this section and then click on "Goal Worksheet."

Complete the worksheet. To protect your privacy you can change dollar amounts once you have done it with your real numbers.

Discuss what you learned by going through this process. List what you think are your top three most important goals to you.