

Introduction

I HAVE ALWAYS WANTED TO WRITE A book that would be different from every other book on the market. There are no basic money management books that provide the tools and resources to determine and quantify answers to personal financial situations and most people's pressing financial problems. There are countless personal finance books on the market, but many do not address how to quantify the specifics of each situation to make the decisions that will help you achieve your financial objectives and attain financial freedom. To get answers about a specific issue, you would have to consult a textbook on the subject, which might not be tailored to the problem facing you. Most people have never had any formal money management education, and this holds true for many of the current business graduates from four-year college and university programs. *The Personal Finance Calculator* was written to bridge this gap and provide you with a practical set of tools you can use not only to solve your financial problems but also to better manage your financial affairs.

Financial decisions form the basis of much of what we do in our lives. Poorly thought out personal finance decisions can at best cause great anxiety and at worst lead to bankruptcy, whereas well thought out, sound financial decisions can lead to a prosperous lifestyle. Now more than ever, we need to understand the complexities of our financial circumstances to make sound decisions. We are confronted by countless financial decisions in our daily lives, and this book provides a format to assist you in most, if not all, of your decision-making. Fifty-two different financial calculators provide you with the opportunity to take charge of your own financial affairs. Each financial calculator has one or more worksheets with step-by-step instructions to assist you in determining your answers to each of the financial questions.

The financial tools in this book are arranged into four parts:

1. Assessing your current wealth
2. Managing your debt
3. Managing your investments
4. Planning for your future

Using the financial calculators in each section, you will be able to:

- Determine how much money you have, how much you owe, and how to better control your finances
- Use the time value of money calculations to make better financial and investment decisions
- Formulate a plan to manage your debt by using credit wisely
- Figure out how much your debt is costing you and how to choose the least costly form of financing
- Determine whether you should buy or rent a house
- Determine whether to buy, finance, or lease a car.
- Set investment objectives, make asset allocation plans, and measure the returns on different investments
- Determine your needs in retirement

The financial tools presented in this book allow you to work through these and other personal financial problems that you are likely to encounter in managing your personal finances. Most personal finance decisions involve choices, and making the right choice most of the time involves more than intuition and guesswork. By working through the different calculations, you will be able to make informed decisions, which in many cases may save considerable amounts of money over time. Keep in mind, however, that decision-making is an ongoing process that will affect your current and future choices.

Each of the financial tools in the four parts can be read and used individually, except for those calculations involving the time value of money. Read the sections on the time value of money, simple interest, compound interest

and future value, present values and annuities (sections 4, 5, 6, 8, and 9) first for an understanding of the subject matter before attempting to use any of the calculations. Understanding the basis of present and future values is helpful in determining the price of a bond. Similarly, understanding annuities can assist you in the calculation of a monthly mortgage payment and the determination of a mortgage schedule. There are many software programs and financial calculators that can assist you in your calculations, obviating the need to crunch numbers with pen and paper. Reading the text can help you determine what figures to punch into these programs.

By successfully managing your personal finance decisions, you will manage and increase your wealth.