

Introduction

Start to make smart decisions now
Be able to ask the right questions
Plan for the near-term and retirement

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Random introductory thoughts

- This could be most useful course you'll ever take. In 6 weeks, you'll be able to:
 - Ask good, intelligent questions when starting a new job, buying a car or a house, investing, or buying life, car and health insurance
 - Keep better track of where your money goes
 - Better understand the pitfalls of credit cards
 - Know the basics of investing before investing
 - Start planning for your retirement

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More thoughts

- Fin 95: any course with a 9 in the tens column is an experimental course so it hopefully will someday get its own number
- Personal finance is a course at some universities but not all – many faculty have a problem giving credit for a course that is useful
- Fortunately the Deans of the CBE are big supporters of this course

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One apology

- ❑ Cell pointer was a tiny dot to me when I made the recordings but appears about 1/4" in diameter in the recordings when you watch them – sorry!!

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Topic outline

- ❑ 15 modules – 7 broad categories
 - Glue, idiots & a calculator
 - Get **your** financial act together
 - Where does **your** money go?
 - Buying big things
 - Hug that tree
 - Putting **your** money to work for **you**
 - Fast forward 45 years

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Glue, idiots & a calculator

❑ Time value of money

- Glue that holds the course together
- Texts assume you're an idiot and can only approximate your car and mortgage payments and your IRA or 401(k) plan contributions
- We want exact answers and **require** a financial calculator ASAP
 - ❑ Recommend the HP12C (for the risk-lovers) or the HP10BII (for tree huggers)
 - ❑ **Either is very useful after the course is over**

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Getting **your** financial act together

- Financial planning
 - Your balance sheet and your income & expense statement
 - Setting some attainable, measurable financial goals
- Budgeting
 - Recording your expenses
 - Controlling your spending
 - Budgeting with Excel

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Where does **your** money go?

- Income taxes
 - Don't be afraid to do your own taxes
 - Learn ways to legally pay less in taxes each year
 - Make decisions based on your marginal tax rate
- Cash management
 - Your checking and savings accounts
 - CD's, t-bills, other money market securities
- Credit and credit cards
 - Average college student has a high Visa/MC balance
 - Extremely high interest rates

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Buying big things

- Buying a new car
 - Leasing vs. buying
 - What-if analysis with your monthly payment
- Buying a house
 - Renting vs. buying
 - Mortgages
 - Costs of owning a house

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Hug that tree

- Risk management
 - Automobile insurance
 - Homeowner's insurance
- Health care
 - HMO's vs. private insurance
 - Types of health plans
- Life insurance
 - Term vs. cash-value (try to stay awake for this one) – shortest module!

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Putting **your** money to work for **you**

- Investing fundamentals
 - Rates of return
 - Portfolio management
- Stocks and bonds
 - Wall Street here we come
 - Buy low, sell high
- Mutual funds
 - For those of you who can't be bothered with stocks and bonds

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Fast forward 45 years

- Planning for your retirement
 - Roth IRA's
 - 401(k) plans
 - Invest \$4,900
 - Instantly it becomes \$10,000
 - Repeat each year
 - Retire with \$4.4 million
- The first 14 modules are designed to help make sure you'll have the \$4,900

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Personal examples

- ❑ I will try to spare you the “war stories” but I will give you some personal examples of what I do
 - Unfortunately (for me) these will sometimes be **“DO AS I SAY AND NOT AS I DID”** examples

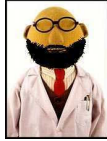
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Me

As a Lehigh undergraduate



Today



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My biases and background

- ❑ I’m married with three young children
 - I’m a card-carrying tree hugger
- ❑ I teach **time value of money** for a living so I obviously feel it’s very important
- ❑ I do my own income taxes (not hard to do)
- ❑ I have ordinary checking and savings accounts
 - I always balance my checking account and try to save receipts

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More biases and background

- I never, ever, carry a credit card balance
- I love cars but rarely buy one
- I lived in apartments for years but now live in a 75 year-old house (my last house)
- I have no life insurance but lots of house and car insurance
- Even though I teach finance, I do little investing on my own

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End of biases and background

- I'm getting a lot more serious about my retirement as it gets closer – wish I had started a long time ago
 - Have a 15-year mortgage because I tend to pay fixed obligations better than I save
 - Forced savings to coincide with my retirement

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