Financial Planning Quiz [True/False]

1. Financial planning involves writing down how much money you make, what you spend, and making sure you have some money left over each month for unexpected expenses that could arise next week.
2. Those who have a finance background are more likely to be successful in achieving financial planning goals than individuals with a high school background.
3. Retirement planning should begin after you’ve been working for 10 or 15 years when you’ve developed a nest egg that needs to be invested wisely.
4. If you are retired and have been able to replace 80% or more of your before retirement income, you don’t need to budget any more than you did prior to retirement.
5. If work is no fun anymore, and you’ve saved up enough money to retire, then you should retire.
6. If I take a financial planning seminar, read a few books, have an investment advisor, I should be able to do well in the financial markets, I don’t need to develop a set of investment guidelines.
7. My financial success defines me as a person, if I lose everything I have in the market I don’t know what I will do.

1. If you create an educational fund for your children that will fully fund their undergraduate schooling they should be allowed to choose where ever they want to go and you shouldn’t provide any advice on possible majors they might want to explore.

Quiz Perspectives-

1. Financial planning is a total quality management process that involves looking at long-term, intermediate, and short-term goals and action plans designed to promote good financial decision making.
2. Those with a finance background may believe they have superior knowledge of the financial markets and are able to assess risk with great precision – this arrogance often leads to financial investments that may produce spectacular losses [think Long-Term Capital Management, Maddoff, or AIG]. On the other hand, those with a lessor background tend to be quite cautious and as a consequence will not invest in anything they don’t fully understand.
3. The sooner you begin actively managing your retirement account, the quicker you may be able to make investment decisions that will pay dividends handsomely later on [e.g. English professor –putting entire retirement contributions in TIAA fixed income accounts].
4. When you are in retirement, you are not getting any new income coming in – you’re living off of savings which means that any increase in the cost of living [gas, food, healthcare costs] will eat into savings.
5. Some people may retire – they may even be looking forward to retiring for many years, but when they actually do retire they are miserable. They didn’t really consider what it might mean to be retired – what would they do? What activities would they really enjoy in retirement? How are they going to guard their time so that they aren’t “working” more in retirement than when they were receiving a paycheck? Where are they going to live in retirement [does their home have a first floor bedroom]? [e.g. Dr. Ray Dawson – Mount Hood – UC].
6. Not having a set of investment guidelines is like deciding to take a trip to New York without having a map or Garmin.
7. If you are investing in the market you need to determine up front how you would view a major loss, what would be considered a tolerable loss and develop guidelines and plans that assure you get a “Good Night’s Sleep.” If you were to lose everything today, and still have your health and an ability to help others you are a wealthy person. You need to surround yourself with people who will affirm you in the midst of strife. [e.g. Neurologist – Tech Bubble Tragedy]
8. Just because you raised the money, shouldn’t be a reason to allow children to pursue an educational opportunity that is at variance with your educational/family values [e.g. party schools, football schools, expensive with limited upside educational benefits other than alumni connections [may be diminishing in the last decade], and/or may not offer training that will allow your child to find an area they enjoy and are serving others. [Northern Iowan Student Government President -- $60,000 student loan debt, no chance to go on to graduate school].