

## **Financial Planning Questions**

*Please complete these questions on a separate piece of paper*

- 1) Define personal financial planning in your own words. What types of decisions are involved in personal finance?
- 2) In your own words, what is an opportunity cost?
  - a. What might be some of the opportunity costs of spending \$10 per week on scratch tickets?
- 3) How can you benefit from an understanding of personal finance?
- 4) Sarah brings home \$1600 per month after taxes. Her rent is \$350 per month, her utilities are \$100 per month, and her car payment is \$250 per month. Sarah is also paying \$200 per month to her orthodontist for braces.
  - a. If Sarah spends an additional \$50 per week on groceries and she estimates her other expenses to be \$150 per month, how much will she have left each month to put towards her savings to reach her financial goals?
  - b. Sarah is considering trading in her car for a new one. Her new car payment will be \$325 per month and her insurance will increase by \$60 per month. Sarah estimates that her other car related expenses will remain approximately the same. What is the opportunity cost if Sarah purchases the new car?