Preface

Dear Personal Finance Professors and Personal Finance Students,

Freedom from Financial Worries! Just four words, but they say a lot about personal money management and the ninth edition of *Personal Finance.* As authors, we believe that freedom from financial worries and peace of mind with regard to your financial situation are attainable and worthwhile goals. And yet, freedom from financial worries is a journey, not a destination. We appreciate that you took the first step by enrolling in this course and purchasing this book. In fact, the ninth edition of *Personal Finance* is all about *you*—the professors and students who use the book.

For nine editions, we have been keenly aware that our customers are instructors *and* students. With each revision, we have asked instructors for suggestions that would help professors teach better and help students learn more efficiently. And with each edition, we have incorporated these suggestions and ideas to create what has become a best-selling Personal Finance text. We are also proud to say that we have included extensive student feedback in our text and program features. We can only say *thank you* for your suggestions, ideas, and support. Without you—both instructors and students—we would have no reason to write a Personal Finance text.

A text should always be evaluated by the people who use it. We welcome your comments, suggestions, and questions. Finally, we invite you to examine the visual guide that follows to see how Kapoor/Dlabay/Hughes can help students obtain financial security and success in life.

Sincerely,

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PERSONAL FINANCE OFFERS YOU EVERYTHING YOU HAVE ALWAYS EXPECTED . . . AND MORE!

The primary purpose of this book is to help you apply the personal finance practices you learn from the book and from your instructor to your own life. The following *new* features of the ninth edition expand on this principle. You can use them to assess your current personal financial literacy, identify your personal finance goals, and develop and apply a personal finance strategy to help you achieve those goals. (*For a complete list of all of the features in* Personal Finance, *9th ed., refer to the Guided Tour on pages xxx–xxx.)*

NEW MY LIFE FEATURE

Chapter openers introduce the new **My Life** feature, which is interwoven throughout *Personal Finance,* ninth edition. The My Life opener actively involves you in the chapter material by relating it to your own life and explaining not only *what* you will learn in the upcoming pages but *why* it is important. Follow-up questions are designed to motivate you to think about how to improve your approach to personal finance. **My Life Boxes** located throughout the text relate back to and expand on the learning objectives and concepts presented in the opener. They offer tips and useful information that you can easily apply in your personal finance life.

NEW DAILY SPENDING DIARY

Your daily spending habits have a huge impact on the successful achievement of your personal finance goals. This new feature helps you to monitor your everyday spending activity so that you can maintain better control over your finances. Appendix C at the end of the book contains a **Daily Spending Diary** where you can note your day-to-day expenses in different categories. A Daily Spending Diary exercise at the end of each chapter asks you to consider how you can change your daily spending habits today to improve your personal finances overall.

With a continued emphasis on technology, real-world decision making, and practical advice from financial planning professionals, this edition of *Personal Finance* provides you with a strong foundation for your current and future personal finance plan. Many topics and instructional features have been added or enhanced to better serve both students and instructors and to reflect evolving economic influences on personal finance activities. For your reference, the following chapter content grid highlights some of the new, expanded, and revised coverage within this edition.

Chapters	Selected Topics	Benefits for the Teaching-Learning Environment
Chapter 1 Personal Finance Basics and the Time Value of Money	*New visual:* Overview of SPEND-SAVE-SHARE actions	Provides an integrated awareness of the main elements of personal financial decisions.
	New material: Blogs as a personal finance information source	Reminds students of positive and negative aspects of blogs.
	New visuals: Revised exhibits	Provides students with a strong visual representation of various chapter concepts.
	Appendix addition: Coverage of financial calculators and Excel spreadsheets	Increases student awareness of various tools available for calculating the time value of money.

Chapters	Selected Topics	Benefits for the Teaching-Learning Environment
Chapter 2 Financial Aspects of Career Planning	*Restructured content:* Career skills	Clarifies the difference between technical skills and general career skills.
	Updated material: Networking	Emphasizes the sources that are available for developing a career network of contacts.
	Expanded coverage: Resumes and interviews.	Additional information regarding video résumés, preparing a "theme" for interview responses, avoiding vague résumé words, avoiding identity theft when using an online résumé, job "auditions," and the Q letter.
Chapter 3 Money Management Strategy: Financial Statements and Budgeting	*Expanded material:* Problems of poorly organized financial records	Expands student awareness of the importance of maintaining a system for personal finance documents.
	Expanded material: Common sources of emergency funds	Emphasizes the importance of emergency funds in a personal financial plan.
Chapter 4 Planning Your Tax Strategy	*Updated material:* Recent tax law changes.	Updates students on the key changes for planning a tax strategy and for filing their income tax return.
	Revised feature: Tax scam warnings.	Emphasizes potential fraudulent actions associated with taxes.
Chapter 5 Financial Services: Savings Plans and Payment Accounts	*Restructured content:* Online banking.	Provides strong overview of various online and electronic banking features and services.
	Expanded coverage: High-cost financial services	Warns students about the dangers of pawnshops, payday loans, check cashing outlets, rent-to-own agreements, auto title loans, and tax refund anticipation loans.
Chapter 6 Introduction to Consumer Credit	*Revised coverage:* Volume of consumer credit, Exhibit 6–2	Provides updated information on how consumer credit keeps on increasing every year.
	Revised coverage: Credit card holders and credit cards held, Exhibit 6–3	Shows that 164 million people use almost 1.4 billion credit cards to buy goods and services.
	New coverage: Credit scoring. FICO and VantageScore.	Provides new information on FICO and VantageScore that readers can use in their personal lives.
Chapter 7 Choosing a Source of Credit: The Costs of Credit Alternatives	*New coverage:* Inexpensive loans to finance college education	Provides information on Perkins and Stafford loans subsidized by the federal government.
	New Exhibit 7–1: Government subsidized loan programs to finance education beyond high school	Presents a summary of various loan programs and their important features.
	New coverage: Avoiding tax refund loans	Cautions readers that borrowing against a tax refund is one of the most expensive ways to borrow money.
	Revised and expanded coverage: Declaring personal bankruptcy	Includes new information on the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005.
	Revised Exhibit 7–7: U.S. bankruptcies 1961–2007	Illustrates how the new bankruptcy law decreased the number of personal bankruptcies.
Chapter 8 Consumer Purchasing Strategies and Legal Protection	*Expanded coverage:* Online buying	Allows students to have a stronger awareness of information sources and potential concerns of buying online.
	New material: Price negotiations	Guidelines that may be used to negotiate a lower price in various buying situations.
	Updated material: Quantitative analysis techniques	Modified formats and revised examples for financial analysis of major consumer purchases and buying versus leasing a motor vehicle.

Chapters	Selected Topics	Benefits for the Teaching-Learning Environment
Chapter 9 The Housing Decision: Factors and Finances	*Updated material:* Renting versus buying a place to live	Revised quantitative analysis example for comparing costs associated with renting and buying a home.
	Revised feature: Lowering Your Property Taxes	Reorganized format to assist a person when attempting to challenge the amount of real estate property taxes.
	Updated material: Types of mortgages	Additions and deletions of various mortgage types based on marketplace trends.
	Enhanced content: Mortgage qualification	Additional emphasis on the importance of a person's credit score in the mortgage application process.
	New feature: Coverage of various contemporary housing-related topics	Creates awareness among students regarding buying a home online, cooperative college housing, tenant rights, parent-backed mortgages, do-it-yourself mortgages, and mortgage fraud.
Chapter 10 Property and Motor Vehicle Insurance	*New material:* Coverage of errors and omissions (E&O) insurance	Provides awareness that this professional and business insurance that might be important in various life situations.
	Updated material: Type of homeowners policies	Communicates a clearer overview of the main types of home insurance policies.
	Expanded coverage: Factors affecting auto insurance rates.	Creates awareness among students regarding the effect of credit score, education, occupation, length at your current residence, and length of time at your current job on the cost of automobile insurance.
Chapter 11 Health, Disability, and Long-Term Care Insurance	*Revised coverage:* High medical costs	Provides updated information on how health care costs are escalating.
	Revised exhibit: Exhibit 11–1: U.S. national healthcare expenditures	Illustrates that U.S. health expenditures have reached over $2 trillion in 2006.
	New Advice from a Pro feature: What you need to know before you buy long-term care insurance	Offers advice on how to purchase long-term care insurance.
	New coverage: The distinction among various health care plans	Clarifies the distinction among HMOs, PPOs, EPOs, and POSs.
	Revised coverage: Medicare	Provides the latest information on changes in Medicare.
	New Exhibit 11–3: A brief look at Medicare	Compares the original Medicare plan with Medicare Advantage plans.
Chapter 12 Life Insurance	*Revised coverage:* Types of life insurance companies	Includes revised coverage of stock and mutual insurance companies.
	Expanded coverage: Variable annuities	Increased coverage of optional features offered by variable annuities.
	New boxed feature: Financial Planning for Life's Situations.	Discusses several costs when individuals invest in a variable annuity.
	New Did You Know? feature	Provides information that Americans purchased $187 billion in individual annuities.
Chapter 13 Investing Fundaments	*New boxed feature:* Financial Planning Calculations	Reviews the importance of time value of money calculations. This feature also provides a time value of money table and a tryout problem for students.
	Expanded coverage: Asset allocation and investment alternatives	Includes content on the reasons why investors use asset allocation to diversify their investments and reduce risk.

Chapters	Selected Topics	Benefits for the Teaching-Learning Environment
	New coverage: The investment pyramid	Provides new information on different investment alternatives and risk—see Exhibit 13–4.
	Expanded coverage: Mutual funds	Adds material on the importance of participating in an employer-sponsored retirement account.
	Revised boxed feature: Financial Planning Calculations	Provides a student tryout problem to reinforce how to track the value of investments.
Chapter 14 Investing in Stocks	*Expanded coverage:* Why investors purchase common stock	Increased coverage of why investors purchase stocks and the value of long-term investing.
	Revised coverage: Income from dividends	Includes revised coverage of the record date and a new example to illustrate this concept. Also, *ex-dividend* is a new key term.
	Updated coverage: Dollar appreciation of stock value	Provides a current example in the text of how to make money with a stock investment—see Exhibit 14–2.
	Revised coverage: Classifications of stock investments	Covers content on different types of stocks in a table—see Exhibit 14–4: Classifications of Stock Investments.
	New coverage: Exhibit 14–5: Stock Web sites	Includes four Web sites that can help students evaluate a corporation's stock.
	Revised coverage: Stock advisory services	Provides a Mergent stock report for McDonald's Corporation—see Exhibit 14–6.
	Revised coverage: How to read the financial section of the newspaper	Illustrates a current example of financial information for stocks contained in the *Wall Street Journal*—see Exhibit 14–7.
	New boxed feature: How Do I Pick a Winning Stock?	Discusses specific steps students can take to evaluate a stock investment.
	Revised coverage: Numerical measures that influence investment decisions	Includes current dollar amounts (at the time of publication) for companies used to illustrate calculations in this section.
	New coverage: Market-to-book ratio	Provides information and an example of the market-to-book ratio.
	Reduced coverage: Primary markets for stocks	Streamlines coverage of primary markets for stocks.
	New coverage: Should you use a full-service or discount brokerage firm?	Includes new information on how to choose a full-service, discount, or online brokerage firm.
	New end-of-chapter case: Research information available from Mergent	Allows students to use the information from Mergent (Exhibit 14–6) to analyze the McDonald's Corporation. Questions are provided to guide student research and findings.
Chapter 15 Investing in Bonds	*New example:* Convertible bonds	Includes a new example that describes a convertible bond issued by Advanced Micro Devices.
	Revised boxed feature: Financial Planning for Life's Situations	Provides detailed information for a corporate bond issued by Cincinnati Gas & Electric Company.
	New coverage: Interest income	Describes the book entry process to record information about bond ownership.
	Updated coverage: A typical bond transaction	Provides current market values (at the time of publication) for the Borden Chemical bond included in Exhibit 15–2.

Chapters	Selected Topics	Benefits for the Teaching-Learning Environment
	Revised coverage: Treasury bonds	Includes information on the 30-year Treasury bond that the government has begun to issue once again.
	New coverage: Treasury inflation-protected securities (TIPS)	Provides new coverage of Treasury inflation-protected securities and why investors might invest in these securities.
	Revised coverage: Financial coverage for bond transactions	Describes current bond coverage available on the Internet and in the *Wall Street Journal, Barron's,* and metropolitan newspapers—see Exhibit 15–5.
	New boxed feature: Why Is Bond Valuation Important?	Answers the question: How do I know if a bond is overvalued or undervalued before I invest my money?
	Revised coverage: Bond yield calculations	Includes current dollar amounts (at the time of publication) for companies used to illustrate calculations in this section.
Chapter 16 Investing in Mutual Funds	*Revised Coverage:* Chapter introduction	Includes a revised definition of the term mutual fund. Also, the definition for investment company has been deleted. Finally, additional information about how mutual funds can be used to accumulate money for retirement is provided.
	Updated coverage: Why investors purchase mutual funds	Provides new statistics on the importance of mutual funds in this section.
	Revised coverage: Exhibit 16–1: AIM Large Cap Growth Fund	Includes the top 10 holdings and top 10 industries contained in the AIM Large Cap Growth mutual fund.
	Revised coverage: Characteristics of mutual funds	Discusses the topics of closed-end funds and exchange-traded funds (ETFs) in separate sections. Also, coverage of the types of investments contained in ETFs has been increased.
	New coverage: Classifications of mutual funds	Describes the fund objective for the American Balanced mutual fund. Also, descriptions of lifecycle (sometimes referred to as lifestyle) funds and funds of funds are provided.
	New boxed feature: Advice from a Pro	Provides additional coverage of lifecycle funds.
	Increased coverage: Managed funds versus indexed funds	Includes more information on the differences between managed funds and index funds.
	New coverage: Exhibit 16–4: Morningstar Web site	Illustrates the type of information available on the Morningstar Web site for the Janus Twenty mutual fund.
	New coverage: Exhibit 16–5: Morningstar research materials	Illustrates the type of information available from Morningstar for the T. Rowe Price Growth Stock mutual fund.
	Revised coverage: Financial coverage for mutual fund transactions	Describes current mutual fund coverage available in the *Wall Street Journal, Barron's,* and metropolitan newspapers—see Exhibit 16–6.
	Updated coverage: Exhibit 16–7 *Business Week* Scoreboard	Provides information about the Vanguard Energy Fund obtained from the *BusinessWeek* Web site.
	New end-of-chapter case: Research information available from Morningstar	Allows students to use the information from Morningstar (Exhibit 16–5) to analyze the T. Rowe Price Growth Stock mutual fund. Questions are provided to guide student research and findings.

Chapters	Selected Topics	Benefits for the Teaching-Learning Environment
Chapter 17 Investing in Real Estate and Other Investment Alternatives	*New coverage:* Your home as an investment	Provides the latest information on your home as an investment and cautions that housing prices have tumbled across the country over the past two years.
	New coverage: Your vacation home	Includes revised and new coverage of vacation home prices in Utah, Idaho, and Colorado. Real estate agents, however, acknowledge that the market is softening.
	New coverage: Characteristics of the typical vacation home owner	Provides information on characteristics of typical vacation home owners.
	Expanded coverage: Real estate investment trusts	Cautions readers that the U.S. housing market is adversely affecting the stocks of real estate investment trusts.
	Revised coverage: The price of gold and other precious metals	Provides the latest information on the recent rise in the prices of gold, silver, platinum, palladium, and rhodium.
Chapter 18 Starting Early: Retirement Planning	*New coverage:* 401(k) plan fees	Cautions readers to carefully examine 401(k) fees. Even that extra 1 percent per year fee reduces the payout by 28 percent.
	Revised coverage: Advice From a Pro feature: How to Dodge IRA Pitfalls	Describes that the IRS rules governing IRA withdrawal are complex and penalties are stiff.
	New Financial Planning Problems	New problems allow students to apply their quantitative analysis of personal financial decisions.
Chapter 19 Estate Planning	*New boxed feature:* Advice from a Pro	Provides tips for estate planning and choosing a reliable executor.
	Increased coverage: Ethical will	Explains that ethical wills are not legally binding, but they help with estate planning.
	Revised, updated coverage: Federal and state estate taxes	Provides the latest information on estate taxes.