

About Personal finance

Personal finance is the application of the principles of **finance** to the monetary decisions of an individual or family unit. It addresses the

==Personal financial planning== A key component of personal finance is financial planning, a dynamic process that requires regular monitoring and reevaluation. In general, it has five steps: # **Assessment**: One's **personal financial** situation can be assessed by compiling simplified versions of financial balance sheets and income statements. A personal balance sheet lists the values of personal assets (e.g., **car**, **house**, clothes, stocks, **bank account**), along with personal liabilities (e.g., **credit card debt**, [<http://www.normalforce.com/personal-loan/> bank loan], [<http://www.normalforce.com/mortgage-loan/> mortgage]). A personal cash flow statement lists personal income and expenses. # **Setting goals**: Two examples are "retire at age 65 with a personal net worth of \$200,000 American" and "buy a house in 3 years paying a monthly mortgage servicing cost that is no more than 25% of my gross income". It is not uncommon to have several goals, some short term and some long term. Setting financial goals helps direct financial planning. # **Creating a plan**: The financial plan details how to accomplish your goals. It could include, for example, reducing unnecessary expenses, increasing one's **insurance/ employment income**, or investing in the stock market. # **Execution**: Execution of one's personal financial plan often requires discipline and perseverance. Many people obtain assistance from professionals such as accountants, financial planners, investment advisors, and lawyers. # **Monitoring and reassessment**: As time passes, one's personal financial plan must be monitored for possible adjustments or reassessments.

Typical goals most adults have are paying off credit card and or **student loan** debt, retirement, **college** costs for children, **medical** expenses, and estate planning.