

Preface

This text has an attitude: that in addition to providing sources of practical information, it should introduce you to a way of thinking about your personal financial decisions. This should lead you to thinking harder and farther about the larger and longer consequences of your decisions. Many of the more practical aspects of personal finance will change over time, as practices, technologies, intermediaries, customs, and laws change, but a fundamental awareness of ways to think well about solving financial questions can always be useful. Some of the more practical ideas may be obviously and immediately relevant—and some not—but decision-making and research skills are lasting.

You may be enrolled in a traditional two- or four-year degree program or may just be taking the course for personal growth. You may be of any age and may have already done more or less academic and experiential learning. You may be a business major, with some prerequisite knowledge of economics or level of accounting or math skills, or you may be filling in an elective and have no such skills. In fact, although they enhance personal finance decisions, such skills are not necessary. Software, downloadable applications, and calculators perform ever more sophisticated functions with ever more approachable interfaces. The emphasis in this text is on understanding the fundamental relationships behind the math and being able to use that understanding to make better decisions about your personal finances.

Entire tomes, both academic texts and trade books, have been and will be written about any of the subjects featured in each chapter of this text. The idea here is to introduce you to the practical and conceptual framework for making personal financial decisions in the larger context of your life, and in the even larger context of your individual life as part of a greater economy of financial participants.

Structure

The text may be divided into five sections:

1. Learning Basic Skills, Knowledge, and Context (Chapter 1–Chapter 6)
2. Getting What You Want (Chapter 7–Chapter 9)
3. Protecting What You’ve Got (Chapter 10–Chapter 11)
4. Building Wealth (Chapter 12–Chapter 17)
5. How to Get Started (Chapter 18)

This structure is based on the typical life cycle of personal financial decisions, which in turn is based on the premise that in a market economy, an individual participates by trading something of value: labor or capital. Most of us start with nothing to trade but labor. We hope to sustain our desired lifestyle on the earnings from labor and to gradually (or quickly) amass capital that will then provide additional earnings.

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