A roadmap for personal finance

Trying to steer a course to the good-life destination is often difficult. JENNIFER HORNSEY reviews a new book on personal financial planning that offers a useful roadmap.

**Personal Financial Planning**
By Lawrence J. Gitman, David S. Morrison and Michael D. Joehnk (Thomson/Nelson Australia, 2006)

We all want to achieve the ‘good life’, whatever that means. We all have goals and objectives whether short-term such as buying that new car or long-term providing for the children’s education, paying off the mortgage or retiring in comfort. But how do we get there?

*Personal Financial Planning* attempts to provide a roadmap to help us all get to the place where each of us can achieve our own ‘good life’. The book starts at the most basic level and covers the whole financial planning process, including some helpful tips on using professional financial planners. It covers all steps in the financial planning process from defining financial goals through to strategies, investment, insurance, retirement, estate planning and finally the review process.

The ground covered in this book is not new. It is pitched at a basic level, uses a plain English style and addresses issues in a very practical manner. What makes it different is its structure. It contains some helpful tips and case studies and reinforces concepts, exercises and applications. It also provides numerous useful online sites for everything from research to assessing the fair market value of your car.

Although written by academics and educators, their approach is a practical one and they cover some very basic but very common issues. There is a whole chapter on ‘Making car and housing decisions’ and two on managing your credit. Each chapter also contains ‘Critical thinking questions’ designed to help you focus on the thought-provoking issues.

Although three chapters are devoted to stock markets, bonds and managed funds, they are only scratching the surface. But its objective is to cover the whole process, not just the specific areas. And yes, it does achieve its goal.

Like all publications of this kind it does suffer from currency problems. Many statistics contained in the book are sourced between 2002–2004 and the 2006 budget changes to superannuation, which in the most part will come into effect on 1 July 2007, are only flagged with little detail. Unfortunately these changes alter much of the superannuation landscape and have estate planning implications. Keeping up to date in the area of superannuation is critical and of great concern to most of us, particularly those on the final stretch into retirement.

Providing for retirement is the issue of the moment and the focus is on starting early. I like their focus on the three big mistakes most people fall victim to in retirement planning: they start too late, they put away too little and they invest too conservatively.

Concise, to the point and all too true. So who is this book for? It would be useful for a wide audience, particularly the retail market or student who is embarking on the world of personal finance or financial planning. For the professional financial planner it may very well be a useful resource to recommend to new clients who are coming to grips with their own financial issues or as a good grounding or education on the financial planning process. After all, a critical and often difficult component of the financial planning process is educating your clients. It may also answer some of their questions and therefore save you time.

The roadmap analogy is a good one and easily understood. Each chapter provides ‘financial road signs’ such as ‘Warning: critical life events ahead’ or ‘Unclutter your life’ or ‘A potential for disaster’ or ‘Beat the retirement clock’. These are enough to stop and make all of us think.

This book is one which financial planners should keep on their shelves and recommend to their clients before they start a journey along for what may be for some a very long road. The road to financial success is often winding, has pot holes, many speed limits and there is often a need to stop, revive, and survive along the way. A roadmap might be just what we need.

Jennifer Hornsey is a consultant and professional writer specialising in educational material for the financial services industry. She has almost 20 years experience in the financial markets including 10 years with the Securities Institute. She is currently assisting Finsia as an editor of its education courses.