

## Key Terms and Vocabulary

Cash inflow

Cash outflow

Expense

Fixed expense

Forecast

Income

Long-term goal

Middle-term goal

Risk

Short-term goal

Variable expense

## What Do You Know?

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- (a) Explain how cash inflow and outflow affects the components of your financial plan.
- (a) What are the three different types of financial goals?  
(b) What key quality must all financial goals have?
- (a) What is the role of forecasting in financial planning?  
(b) How does forecasting relate to one's decision about education?
- (a) Why is it necessary to identify your current financial position before making further financial plans?  
(b) Explain why a person's current financial position might affect his or her financial plans.
- (a) Explain how speeding progress toward a short-term goal might slow progress toward a long-term goal.
- (a) Identify at least three different possible sources of income.
- (a) Using the metaphor of a roadmap, to what feature do different options for reaching financial goals compare?  
(b) What are the benefits of picking multiple options for achieving financial goals?
- (a) What is the difference between a high and a low tolerance for risk?  
(b) Explain how risk and an individual's tolerance for it can affect planning.
- (a) What must you do when you revise one part of your financial plan?  
(b) Why might you need to revise your financial plan?