

BOOK, SOFTWARE, AND WEB SITE REVIEWS

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Personal Financial Planning, 7th Edition.

Lawrence J. Gitman and Michael D. Joehnk
Ft. Worth: The Dryden Press; 1996 (656 pp.)

Reviewed by: Sue Greninger

The seventh edition of *Personal Financial Planning* is user-friendly for undergraduates and features an integrative, dynamic approach. An introductory profile for each chapter presents a person or family, depicted in an attractive photograph, who is facing a real-life financial decision or problem. Undergraduate students assisting in this review said these vignettes helped focus their attention on the relevancy of the chapter's content to their lives. Although one student lamented the replacement of the "Facts and Fantasies" questions at the beginning of chapters by "boring learning objectives, she agreed that the objectives provided a helpful overview of the chapter's purpose. Six learning objectives at the beginning of each chapter, however, seemed a tad too standardized for a text seeking to emphasize diversity and change. These two themes—diversity and change—are highlighted quite effectively in the new "Financial Shock" boxes. The student reviewers felt the situations portrayed in these boxes contributed greatly to their motivation to study the other personal finance content in the text. Other positive features are the updated information appearing in the "Smart Money" and "Issues in Money Management" boxes. These add current interest and are not too numerous to be disruptive to the reader. The streamlined "Getting a Handle on Your Financial Future" and the integrative case study that appear at chapter ends are also realistic application-level extensions of the subject matter. A very worthwhile change is the interactivity introduced within chapters by the "Concept Check" questions. Given the proclivity of undergraduates to skip over end-of-chapter review questions, this addition should facilitate greater student involvement and learning.

Part 1, "Foundations in Financial Planning," includes new information on career planning, employee benefits, and record-keeping. Although additions have been made to the section on psychology and money, there is still a need for greater depth of this topic, as well as on the interpersonal/communication aspects of family financial management. Combining Chapters 2 and 3 from the former edition into a single chapter, "Your Financial Statements and Plans," works well since this allows planning concepts to be discussed before specific financial statements are introduced. One short-coming of the new chapter is the disconnect that occurs between forming goals and making them operational via time value calculations. Following the presentation of time value problems, these concepts are not uti-

lized for establishing the \$4,500 amount included for savings and investments in the Weaver's budget on page 84. This is unfortunate since this example provides an excellent opportunity to show how the time value calculations can be used to develop budget estimates. The recommendation to start the budgeting process with take-home rather than gross pay limits individuals from seeing their entire financial picture and assumes that withholdings accurately match taxes owed, which is often not the case. Although the tax chapter is now better organized, a more detailed explanation is greatly needed about Flexible Spending Accounts than the brief one presented in the "Smart Money" box on page 129. This is particularly true since these accounts are recommended for those "just starting out" and "thirty-something" on page 137. There is also a need for more information about taxes on self employment income since so many young people are entrepreneurs today, not to mention students who unknowingly hire on as "contract laborers."

The Truth-in-Savings regulations description on Part 2, "Managing Basic Assets," is most welcome; however, their limitations need to be addressed, especially the exemption of brokerage firms in required disclosure of the Annual Percentage Yield. The inclusion of rent-or-own and lease-or-own information in the housing and automobile chapter is useful. Although the organization of this chapter is improved, the sections on home financing and rental options appear later in the chapter than is logical. Part 3, "Managing Credit," includes rebate and prepaid features on credit cards, as well as updated information on student loan and credit fraud. Efforts to tighten up the two credit chapters are appreciated; however, detailed Annual Percentage Rate formulas and calculations might be better suited for an appendix.

Part 4, "Managing Insurance Needs," includes good comparative cost data for various types of policies. The comprehensive attention to managed health care plans is most relevant given their market prevalence and rapid growth. The long-term care insurance discussion is quite comprehensive, but it may not grab the attention of young students as much as more mature ones. Wording utilized in this section seems to downplay the importance of disability income insurance which seems unwise since this coverage is often overlooked by consumers. The role of state regulation in property insurance should be discussed since this causes diversity across the country. It might be helpful to acknowledge that financial planners often use less conservative assumptions about rates of return and inflation than the authors when calculating life insurance needs.

Part 5, "Managing Investments," presents broadened coverage of mid-and small-cap stock groups as well as detailed information on brokerage commission and transactions processes. The first chapter describes stocks and bonds in general, followed by a second chapter on the specifics of securities transactions. Another approach might be to have separate chapters for stocks and for bonds with pertinent information, such as how to interpret the respective listings, incorporated with the appropriate security types. This would allow commissions to be factored out when rates of return are discussed in Chapter 11. The consolidation of the mutual fund chapter allows a much more comprehensive approach to this important vehicle, especially with regard to the various loads and fees charged to investors. It would be useful to mention the tax aspects of mutual funds in more detail, particularly the lack of investor control over capital gains distributions and their taxation. The omission of other investment vehicles, real estate, derivative, etc., does not seem problematic for an introductory personal finance course given the difficulty in covering all topics in one semester. These investments could be included in an appendix for interested students to review.

The updated information on the importance of living wills and powers of attorney in Part 6, "Retirement and Estate Planning," is most welcome. A few more examples of how the different trusts in Exhibit 15.4 can minimize estate taxes would be helpful. The fact that many people die intestate is well-covered in this section; however, the use of "sweetheart" wills without appropriate trusts needs to be mentioned.

The ancillaries to this text include a student workbook, a bound package of blank forms, software that can be run only on IBM-compatible computers, and a comprehensive instructor's manual and test bank. The outlines in the student workbook are more useful than the topic outlines in the instructor's manual. Helpful case studies, problems, and vocabulary exercises are included in the student workbook; however, answers to the "Concept Check" questions are unfortunately not included in the workbook for the students to self-check. These answers are included in the instructor's manual along with key concepts, supplemental class project ideas, and answers to discussion questions, case problems, and the integrative case study. A weakness of the instructor's manual appears to be the test bank which offers objective questions that are generally less challenging than the subject matter merits.

In conclusion, Gitman and Joehnk have produced another stellar edition of *Personal Financial Planning*. It is evident that these authors have listened to the suggestions of their audiences and incorporated many positive changes into their seventh edition.

The Merrill Lynch Web Site (www.ml.com)

Reviewed by: John Grable, CFP, Doctoral Student, Virginia Tech

Internet users face two annoying problems when using web sites sponsored by the major brokerage firms, namely, slow information retrieval and advertising overload. The first problem, accessing information quickly, is directly related to the user's computer capabilities and inversely related to the number of bells, whistles, and graphics the web site offers. The second problem, advertising overload, is becoming so common that users are forced to browse through product information in order to find useful data. Many Internet users have concluded that the need for timely and accurate information retrieval often outweighs the benefits provided by fancy graphics and excessive advertising. After subjecting several brokerage firm-sponsored web sites to extensive review based on their ease of use, speed on information retrieval, breadth of information provided, and usefulness of data to practitioners, researchers, investors, educators, and students, the web site sponsored by Merrill Lynch (www.ml.com) emerged as one deserving further review and use by readers of *Financial Services Review*.

The Merrill Lynch home page downloads very quickly offering users the choice of five linking pages. Financial professionals and investors will find the "Financial News & Research" link an easy way to obtain stock quotes (provided on a 20-minute delay during trading hours), market updates, research publications, and legislative updates. The ability to get a glimpse of recent research reports on topics like equities, fixed income strategies, and market commentaries (provided three times daily) are enough to make this web site interesting. The "Washington Watch" link offers a unique view of legislation that may impact investors, both individuals and institutions.

The Investor Learning Center link is an excellent source of basic investing terms and concepts that will interest educators, researchers, and students. Obviously Merrill Lynch