

Personal money flows

Daniel Folkinshteyn, PhD
<http://finance-lectures.com/>
personal@finance-lectures.com

Learning objectives

- Describe personal money flows
- Explain saving and borrowing
- Distinguish between good and bad debt

Money flows

Inflows

-Outflows

=Surplus/shortfall



Inflows

- Money you generate via productive activities during a period of time (month, year)
- Sources of income:
 - Trading time for money (wage/salary)
 - Entrepreneurial activity (business profit)
 - Passive investment income (interest, dividends)

Outflows

- Taxes
- Current spending
- Past spending (debt repayment)

Surplus/shortage

Surplus

Save for future

Invest

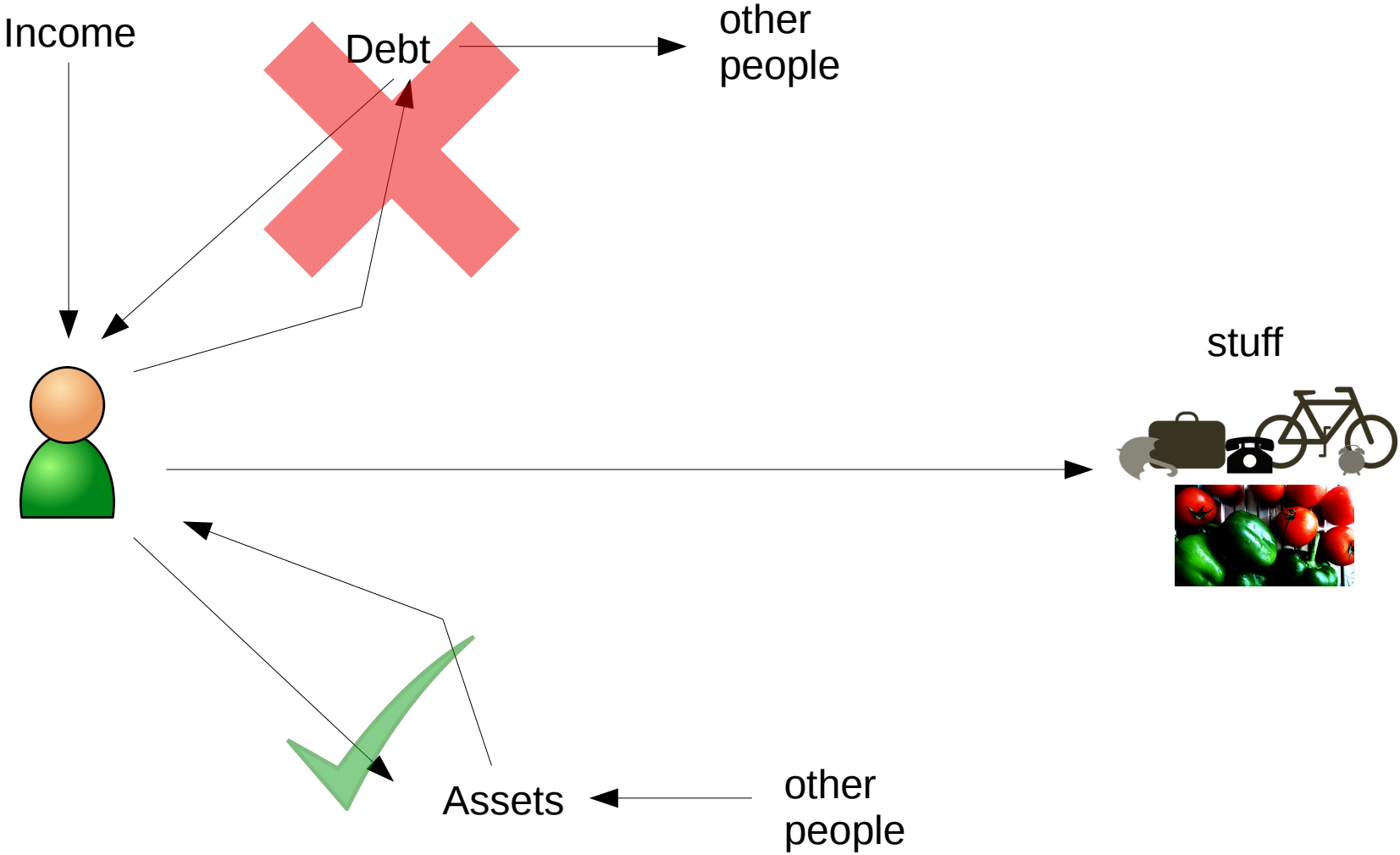
Give it away

Shortage

Spend down savings

Borrow money

Money flows



Present vs future

Quiz 1

Which of the following are good reasons to borrow money?

- Pay for education to improve future earnings
- Pay for computer to be more productive
- Pay for new car to replace your old but still good car
- Pay for house to reduce your future housing expenses

Quiz 1 - answer

Which of the following are good reasons to borrow money?

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Good vs. bad debt

Borrow to consume



Borrow to invest



Additional reading

Search for "avoiding debt" using your favorite internet search engine.

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