

Name : Asif Alam

Enrollment no. : 92201703058

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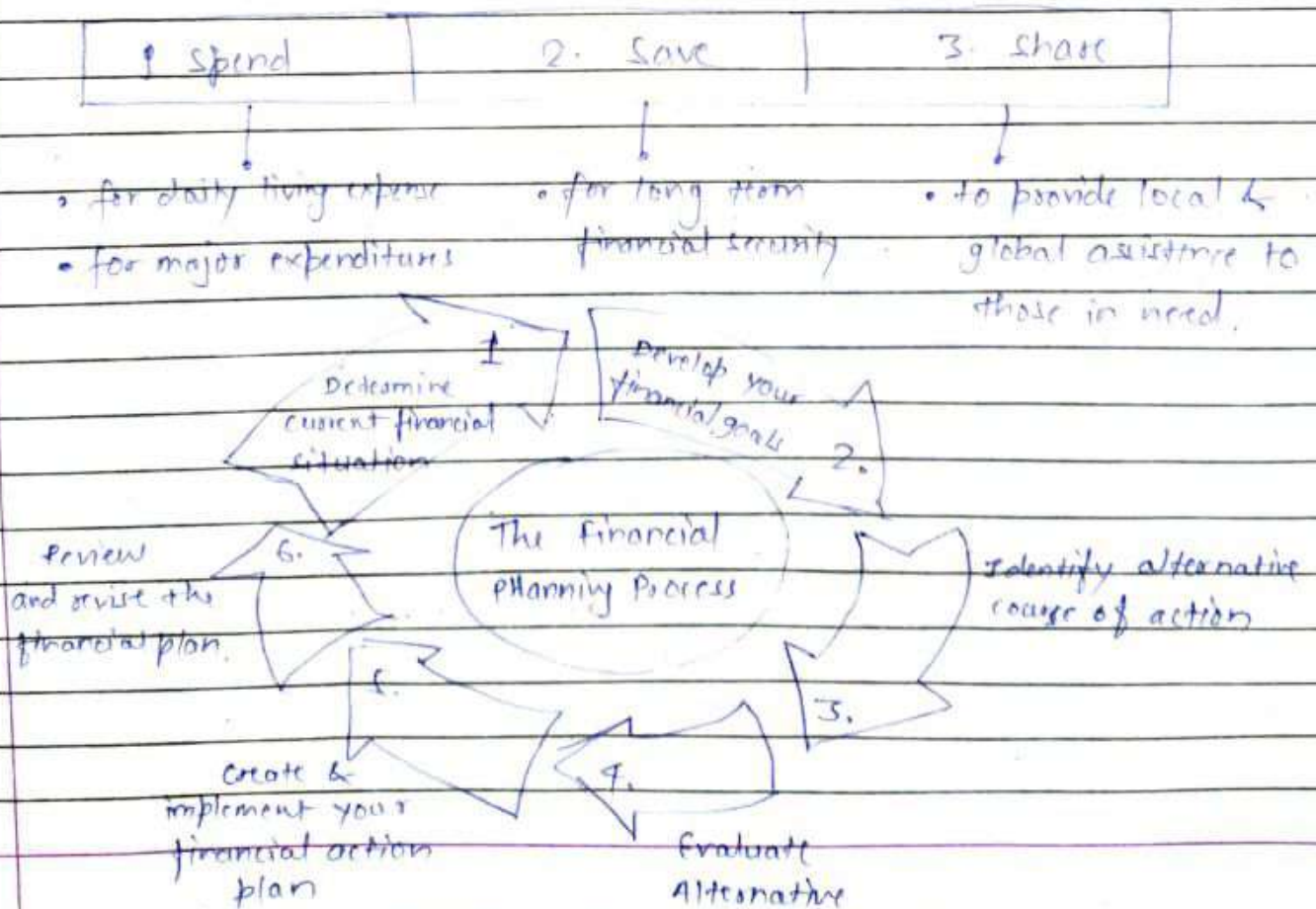
Assignment : 1

Ques. Explain financial planning process with diagram.

ans- Financial planning is the process of managing your money to achieve personal economic satisfaction. This planning process allows you to control your financial situation. Every person, family or household has a unique financial position and any financial activity therefore must also be carefully planned to meet specific needs and goals.

A comprehensive financial plan can enhance the quality of your life and increase your satisfaction by reducing uncertainty about your future needs and resources. The specific advantages of personal financial planning include.

- ⇒ Increased effectiveness in obtaining your financial resources.
- ⇒ Increased control of your financial affairs.
- ⇒ A sense of freedom from financial worries.





Qno 2. What is investment? and why are investment important?

ans - Investment refers to the allocation of resources, typically money, with the expectation of generating some sort of return or profit in the future. It involves purchasing financial assets, real assets, or other items of value with the goal of increasing wealth over time.

⇒ Investments can take various forms, including -

1. Stocks: Ownership share in a corporation.
2. Bonds: Loans to government or corporations, with the promise of repayment.
3. Real Estate: Property or land purchased for the purpose of generating income or appreciation.
4. Mutual Funds: Pooled funds from multiple investors used to invest in various assets.
5. Commodities: Physical goods such as gold, oil or agricultural products.
6. Alternative Investments: Such as hedge funds, private equity or venture capital.

• Investments are important for several reasons:

1. Wealth accumulation
2. Financial Goals
3. Beat inflation
4. Passive income
5. Diversification
6. Retirement Planning
7. Economic growth.

Ques 3: List down different investment alternatives and explain each in brief.

ans - Some common investment alternatives along with brief explanation of each -

1. Stocks: Stocks represent ownership shares in a corporation. When you buy stocks, you become shareholder and own a portion of a company. Stockholder may benefit from capital appreciation if the company's value increase over time, as well as from dividends if the company distributes profit to stockholder.

2. Bonds: Bonds are debt securities issued by governments or corporations. When you buy a bond, you are essentially lending money to the issuer in exchange for periodic interest payments and the return of the principal amount at maturity.

3. Real Estate: Real estate investment involve purchasing properties such as residential homes, commercial building or land.

4. Mutual Funds: Mutual fund pool money from multiple investors to invest in a diversified portfolio of stocks, bonds or other assets managed by professional fund managers.

5. Commodities: Commodities are physical goods such as gold, silver, oil, agricultural products, etc.

6. Cryptocurrencies: Cryptocurrencies are digital or virtual currencies that use cryptography for security and operate on decentralized network based on blockchain technology.



Qno 4. why are investment important ?

ans - Investments are important for several reasons:

1. **Wealth Accumulation:** Investing allows individuals to grow their wealth over time by earning returns on their initial capital. Through strategic investment choices, individual can increase the value of their assets.
2. **Financial goals:** Investing plays a crucial role in achieving various financial goal, such as saving for retirement, purchasing a home, funding education, or starting a business.
3. **Beat Inflation:** Keeping money in cash or low-interest saving accounts may lead to loss of purchasing power over time due to inflation.
4. **Passive income:** Many investment, such as rental properties, dividend paying stocks or interest bearing bonds, provide regular income streams.
5. **Diversification:** Investing in a diversified portfolio spread across different assets classes helps mitigate risk. If one investment performs poorly, gains from others may offset losses, reducing overall portfolio volatility.
6. **Retirement Planning:** Investing early and consistently is essential for building a retirement nest egg. By harnessing the power of compounding returns over time.
7. **Economic growth:** Investment in businesses, infrastructure and innovation drive economic growth and prosperity.



8. **Tax Benefits:** Certain investment vehicles offer tax advantages, such as retirement accounts, which allow for tax free growth of investment.
9. **Legacy planning:** Investment can be instrumental in creating a lasting legacy for future generations.

Ques. what is Insurance? what are the needs of Insurance?

ans: Insurance is a contract between an individual or entity and an insurance company, wherein the insured pays a premium in exchange for financial protection or reimbursement against specified losses or risks.

⇒ The needs of insurance is as follow:

1. **Risk management:** Insurance helps individual and businesses manage various types of risks, including property damage, liability, illness, disability and death. By purchasing insurance coverage, individuals can protect themselves from the financial consequences.
2. **Financial Protection:** Insurance provides financial security by offering compensation or reimbursement for covered losses. In the event of an insured event, such as a car accident, natural disaster, or medical emergency, insurance can cover the cost of repair, medical expenses, legal liabilities, etc.
3. **Peace of mind:** Having insurance coverage gives individual peace of mind, knowing that they are protected against potential risks and uncertainties.
4. **Protection of assets:** Insurance helps safeguard valuable assets, such as homes, vehicles, business and personal



belongings against damage, theft or loss.

6. Healthcare coverage: Health insurance provides access to medical services, treatment and medications, thereby ensuring timely healthcare for individual and families. It covers the cost of routine medical cost, emergency services.
7. Income replacement: Life insurance and disability insurance serve as income replacement tools, providing financial support to beneficiaries or policy holder in case of death or disability.
8. Business continuity: For businesses, insurance is essential for ensuring continuity of operations in the face of unforeseen events, such as property damage, lawsuits or business interruption.

Qno 6. Give details note on life insurance?

Ans- Life insurance is a type of insurance that provides financial protection to the policy holder's beneficiaries in the event of the policyholder's death. It serves as a crucial tool for protecting loved ones and dependent from the financial impact of the insured death by providing a lump sum payment, known as the death benefit, to the designated beneficiaries.

⇒ There are many types of life insurance -

- > Term life insurance
- > Whole life insurance
- > Universal life insurance
- > Variable life insurance
- > Indexed universal life insurance.