THE VAULT

PRESENTED BY

WSECU

WASHINGTON STATE EMPLOYEES CREDIT UNION

The Vault

A financial education curriculum reflecting the state's academic standards for Washington's students.
Presented by Washington State Employees Credit Union.

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WASHINGTON STATE EMPLOYEES CREDIT UNION

WSECU would like to thank educator Eileen Yoshina for her enormous assistance and talents in creating this curriculum.

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07.11

Welcome to THE VAULT

Welcome to *The Vault*, a comprehensive curriculum designed to help you teach your students the basics of financial education.

As your "teacher's aide," WSECU put the program together for you to teach your students the basics of financial education – and it's ready to go.

The curriculum is arranged into four key sections: Budgeting, Getting Your Money's Worth, Saving and Investing and Managing Your Money. Each section contains a complete lesson plan with teacher notes, student activities and assessments.

By giving your students the tools they need to gain a good understanding of sound money management, you will help them to be better prepared for financial success.

If you have any questions, please feel free to contact us. And don't forget, in most situations, WSECU will be happy to arrange for one of our Financial Education Instructors to visit your classroom and discuss these topics with your students.

Thank you for allowing WSECU to come into your classroom — we look forward to partnering with you to help your students succeed — in class and in life.

Students, Welcome to THE VAULT

This is the place that holds one of the most valuable commodities there is: **Knowledge!**

Knowing the basics about budgeting, saving and investing, and credit is like having the combination to unlock the door to financial success. Developing sound money habits early is a must so that when the time comes (and it comes sooner than you think), you'll be ready to meet your financial goals and fulfill your dreams. Money isn't everything, but it is an important part of life. Why not learn all you can about it?

Washington State Employees Credit Union developed this financial education curriculum to help you see the link between responsible financial habits and future success.

So come on in and see what's in ***The Vault****.*

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Using *The Vault*

The Vault is the fictional classroom of the orange-haired Ms. Moruzzi and her students Maya, Yuki, Joel and Hector. Content material is presented through short readings starring these characters who are facing the kinds of financial decisions with which students in your class might be familiar.

The Vault makes use of a variety of learning environments: individual activities, small-group activities and whole-class activities. When students complete an individual or small-group activity, it is often beneficial to share their work with the entire class.

COOPERATIVE GROUPINGS:

Students will work together in groups for many of the activities in this curriculum. Typically, groups of four to five students work well. You can assign groups or let students self-select groups as you see fit.

Within groups, it is often helpful to assign a specified role to ensure maximum participation. Some examples of roles follow. You may want to review the different roles and the responsibilities associated with them before beginning cooperative group work at the start of each activity. You can keep the roles posted in the classroom for students' easy reference.

Facilitator: Reads or reviews directions with the group before activity begins, ensures that everyone participates.
Recorder: Writes down group responses.
Treasurer: Enters numbers into the calculator as decided upon by the group; gathers materials necessary for group work.
Reporter: Reads group's responses or reports on group experiences to the class.

It is also helpful to have students switch roles in order to share responsibilities equally. You can do this by activity, by unit or by some other method.

CHAPTER ORGANIZATION:

Each chapter will begin with a **pre-assessment activity**, where students brainstorm what they already know about the topic either as a class, in a small group or individually.

The next activity(ies) will present content through reading and give students a chance to practice and apply the concepts being studied through **student activities**. Discussion suggestions will be included in this section.

The last section of the chapter will be an **assessment**, where students will demonstrate their understanding of the topic studied.

VOCABULARY DEVELOPMENT:

Students will be introduced to many new financial terms with which they may be unfamiliar. Important **terms** will be listed at the beginning of each chapter, and defined as appropriate throughout the chapter. One strategy to help students remember new terminology is to ask them to make visual representations of each new term.

You can have your students keep a running Visual Dictionary of all the financial terms introduced throughout the four units.

Students can devote a section of a binder, a small notebook or simply stapled pieces of paper to their Visual Dictionary.

VISUAL DICTIONARY INSTRUCTIONS:

- Go over each term as it arises in the chapter, give its definition and answer any student questions. Definitions can be found in the Vocabulary section.
- Ask students for examples of the term.
- Ask students to re-write the definition in their dictionary in their own words.
- Under the definition, they should list two to three examples of the term. Next to the term, students should draw a picture or symbol that will help them remember the term.

Alternatively, you can have students create pictographs of each term (see Chapter Two).

Example:
Under "interest," a student might write:
The fee charged for the lending of money.
Example one: You pay interest on your credit card bill.
Example two: When you get a house loan, you borrow money at a certain interest rate.

The student might draw a picture of a percentage sign next to a number; e.g., 9%.

Dictionaries should be compared and discussed either in class, in small groups or partnerships to further aid their comprehension. You can collect the dictionary at the end of each chapter or at the end of all four chapters to be used in evaluation.

Welcome to *The Vault*

It was a dark and stormy mid-morning.

It was the first day of the semester. The bell for second period rang. Maya, Hector, Joel and Yuki met at their usual spot: the entrance to hall 4.

"What's next?" asked Joel.

"Personal Finance," said Maya. "Ms. Moruzzi. She's new."

"She's weird," said Hector. "She wears orange every single day. Even her hair's orange."

"What's Personal Finance?" asked Yuki.

"Money and stuff."

"Boring," yawned Joel. "Wake me up when it's over."

"Are you coming in or not?" demanded a voice. The friends looked around. There was no one to be seen.

"In or out?" demanded the voice. Suddenly, a door swung open. It would have looked like a regular classroom door, except that holding it open was a tall, stern-looking woman in an orange muu-muu with her bright hair piled on top of her head. She looked over her orange glasses. "Well?"

"In, I guess," said Maya. She looked at her friends and shrugged.

"There is no guessing here," said the orange woman. "Estimation. Calculated risk. Hypothesis. No guesses." She skewered them with her stare. "Within these four walls you will learn the secrets of the wealthy and the powerful. The tools of the financially solvent. The rules of the game of life, fiscally speaking." She stood aside, and gestured into the classroom. "Enter," she said, "And leave monetary mayhem behind you."

They walked into the classroom.

"Excellent choice," said Ms. Moruzzi with satisfaction. She looked around the room, and for the first time, smiled. "Welcome to The Vault."

Chapter One: Budgeting

Budgeting is a concrete way for students to apply the process of setting and reaching financial goals.

OBJECTIVES:
Students will learn:

- What a budget is
- How to make a budget
- The difference between wants and needs
- What a SMART goal is
- How SMART goals can help you stick with a budget

EALRs (Essential Academic Learning Requirements):

Reading

1.1 Use word recognition and word meaning skills to read and comprehend text
1.2 Build vocabulary through reading
1.3 Read fluently, adjusting reading for purpose and material
2.1 Comprehend important ideas and details
2.2 Expand comprehension by analyzing, interpreting and synthesizing information and ideas
3.1 Read to learn new information
3.2 Read to perform a task
4.3 Develop interests and share reading experiences

Writing

1.1 Develop concept and design
1.2 Use style appropriate to the audience and purpose
2.2 Write for different purposes

Communication

1.1 Focus attention
1.2 Listen and observe to gain and interpret information
1.3 Check for understanding by asking questions and paraphrasing
2.1 Communicate clearly to a range of audiences for different purposes
3.1 Use language to interact effectively and responsibly with others
3.3 See agreement and solutions through discussions

Mathematics

1.1 Understand and apply concepts and procedures from a number sense
2.3 Construct solutions
3.1 Analyze information
3.2 Predict and make inferences
4.1 Gather information
4.2 Organize and interpret information
4.3 Represent and share information

Economics

1.1 Comprehend key economic concepts and economic systems
1.3 Understand the monetary system of the U.S. and how individuals' economic choices involve cost and consequences

Chapter One Overview: Budgeting

These activities are included in Chapter One. They can be adapted as you see fit into individual, small-group or whole-class activities (the recommended grouping is in parentheses).

- What's in a Budget (**groups**, discuss as a class)
- Developing Your Budget (**individual**)
- Joel's Budget (**group** or **individual**)
- Hector's Budget (**group** or **individual**)
- Your Own Budget **(individual)**
- Dream Big…Budget SMART (**group**)
- A Personal Budget (**individual, partner**)
- Financial Records (**individual**)
- Assessment (**individual**)

CHAPTER ONE TERMS:
Students should add these terms to their Visual Dictionary (see introduction for instructions) as they arise:

- Budget
- Income
- Expenses
- Fixed expenses
- Variable expenses
- Wants
- Needs

Pre-Assessment: What's in a Budget?

Objective:
To have students define budgeting and make connections to ways they've seen budgets used in real-life situations.

In cooperative groups, students define budgeting and discuss ways in which they already utilize budgeting practices.

Students can use the "**What's in a Budget?"** student handout. Alternatively, you can have them record their responses to the questions on large sheets of paper, which can later be taped to the board. This may help students see the similarities in their responses, which will reinforce the major concepts of budgeting.

First, students will spend time listing what they already know about budgets and giving examples of where they've seen budgets used.

Then students will write a one - or two - sentence definition of a budget. You can ask them to pretend they are presenting this definition to a group of younger or less experienced students. They should try to clearly and specifically define the important elements of budgeting as they see them.

Next, students will give examples of times they have used budgets in the past and talk about what they find helpful/challenging about budgeting.

Last, students will present their findings to the class. Students may come up with the key ideas or words: **plan, goal, spending wisely, rules or guidelines**. You can record these key concepts on the board or circle, star or highlight these ideas as they arise.

Also, address the difficulties students may have around budgeting. Some might say that it's hard to stick to a long-term plan—like saving for college or a car—when presented with more immediate gratification, like new music downloads every week or trips to the mall. Others may have had more success with budgeting. Either way, have students discuss the challenges of putting off immediate wants for long-term rewards. This discussion will set the stage for a more in-depth look at prioritizing in the future.

Discussion Guide:
Ask students:

- What was challenging about making your budget?
- What was challenging about sticking to your budget?
- How did having a budget help you?
- What advice can you give to other students about staying within a budget?

What's in a Budget?

Name: _____ Date: _____

In your group, answer the following questions, and then share them with your class.

1. What's a budget? List all the ways in which you've heard the word used.

_____

_____

_____

2. Look at all the responses your group gave. Now, try to come up with a single sentence that defines the word budget.

_____

_____

_____

3. When have you used budgeting in the past? List all group responses.

_____

_____

_____

4. How can budgeting help you?

_____

_____

_____

5. What's challenging about budgeting?

_____

_____

_____

Budgeting Activities

Objective:
The story of Joel and Hector provides an opportunity to compare two students and their budgeting practices. Students will see which strategies are more effective for successful budgeting.

Students can do the activities together or individually, depending upon the needs of your class. However, one important thing to keep in mind is that budgets require flexibility and creative thinking. Alternative solutions and creative problem-solving can be encouraged when students work in groups or share their answers in a large group discussion.

Two key terms are introduced and self-defined by students: Needs and Wants. After discussion, you can give this standard definition:

> **Needs** *are things you need to survive.* **Wants** *are things that increase your enjoyment or the quality of life.*

Discussion Guide:
How did you (your group) decide where Joel's money should go?

How can Joel stay "in the black" (end the month with a positive balance) without having to give up all the things he enjoys?

How does it help to have monetary goals when making a budget?

You (your group) came up with one way for Joel to save for his MP3 player. Other students' solutions differed from yours. Are all these ways possible or valid? How can we evaluate which plan would work best for Joel?

How well did Hector do in sticking to his budget?

How was Hector able to succeed in keeping within his budget?

Did anything unexpected come up for Hector? How was he able to handle it?

Developing Your Budget

Name: _____ Date: _____

"Dude," said Joel to Hector after school. "Let's go get a burger after practice."

"Sounds good," said Hector. Inside, he groaned. Would he be Joel's personal ATM yet again, or would this afternoon be different?

The line at the Tas-T-Burger was long, and Hector's stomach rumbled. Joel was first at the counter.

"I'll have the number four dinner special. And triple-size it, please. And throw in an extra order of fries."

"Ten fifty-four," said the cashier.

Joel slapped his pocket, and turned to Hector. "Dude," he said. "Can you spot me? I'm short on cash."

"Come on, man," said Hector. "You're always short on cash. What are you gonna do if I'm not around?" He handed Joel some money.

"I dunno," said Joel, picking up his tray. "Learn to budget, I guess."

"Fantastic," said Hector, stepping up to the counter. "You're officially cut off."

A budget is a spending plan based on your estimated income and expenses.

Budgeting is a learned skill that takes discipline and practice, but many people find it to be worth their while. It may seem restrictive when you start, but focusing on long-term goals can help you make short-term sacrifices. For example, if you really want a car, you might forgo daily trips to the espresso stand and put the money into savings instead. You'll miss the lattes at first, but just imagine driving around in your new (or used) car, and you may find the sacrifice worthwhile.

List some goals you've achieved (they may or not be related to finances):

_____

_____

_____

_____

What steps did you take to achieve these goals?

_____

_____

_____

_____

How did you feel when you reached these goals?

_____

_____

_____

_____

A Personal Budget

Learning to develop and stick with a budget means understanding how much money you have and how much you spend: your **income** (money you receive from a paycheck, gifts, allowance, etc.) and **expenses** (money you spend or give away). There are two main types of expenses: fixed and variable. **Fixed expenses** are regular expenses that are the same amount of money each time you pay them, like a car payment. **Variable expenses** are flexible, like the amount of money you spend on going out with friends or buying clothing.

To have a working budget, your total expenses should not exceed your income. Sounds simple, but some people have trouble living within their income. That's where budgeting problems start.

What are some of your sources of **income?** (Where does your money come from?)

_____

_____

_____

_____

What are some of your **fixed expenses**? (What do you regularly spend the same amount of money on?)

_____

_____

_____

_____

What are some of your **variable expenses**? (What expenses do you have that are more flexible?)

_____

_____

_____

_____

Joel's Budget

Name: _____ Date: _____

"So why do you always have to mooch?" Hector asked Joel. "You work."

"Well, my Ice Creamery paycheck doesn't make me a millionaire."

"You think I'm loaded from stocking shelves at Dad's hardware store?"

"Okay, okay," said Joel. "I got it. You're turning tightwad on me."

"No, man," said Hector. "But I've got priorities and your dinner isn't always one of them."

"What priorities?"

"Things I want. Basketball camp. A car. College. Stuff like that."

"Don't your parents pay your way?"

"Some. But that's why I'm working weekends now," said Hector. "I've got two brothers in college and a little sister. My folks can't afford everything for all of us."

Joel chewed in silence. Then he spoke. "I guess it's like what Ms. Moruzzi said in class," he said. "Needs and wants."

"Yeah. I want to go to basketball camp. I need to buy my lunch everyday. So I make a plan to pay for lunch, and a plan of how to save for camp."

Joel stuffed the rest of his fries into his mouth. "I need Tas-T-Burgers."

"Then you need to look at how much money you've got and put them in your budget."

"You budget for Tas-T-Burgers?"

"Sure. I know I'm gonna have them, so I plan for them. If I get more than two a week, it comes out of my music download money. Or movies. So one more Tas-T-Burger is one less DVD rental."

Define "**needs**":

_____

_____

What are some examples of *needs*?

_____

_____

Define "**wants**":

_____

_____

What are some examples of *wants*?

_____

_____

Setting Goals; Making Plans:

"It's not hard, once you get the hang of it," Hector said. "What's something you want? Dream big."

Joel didn't hesitate. "An MP3 player. Two hundred dollars at Music City. But I saw one online for $150.00, including shipping and handling."

Hector flipped over the paper placemat on Joel's tray and grabbed a pencil from his backpack. He wrote: JOEL'S BUDGET at the top and looked at his friend. "Okay. Let's get down to business."

Joel's Budget

Name: _____ Date: _____

Budget for: Joel
Income: (Ice Creamery paycheck, parents): $285.00
Expenses: January

1. First, label each expense N for need or W for want. Next, think about each expense in terms of its importance. What must Joel absolutely spend money on? Label it number 1. What is least important? Label it number 12. Rank the rest of the items accordingly.

N or W	Rank	
		Pizza Palace: $40.00
		Tas-T-Burger: $40.00
		Movies: $32.00
		School lunch: $60.00
		Savings: $0
		Gift for Mom's birthday: $15.00
		New pants: $50.00
		New shoes: $50.00
		Music downloads: $20.00
		Student activity dues: $10.00
		Bus pass: $12.00
		Haircut: $25.00

How did you decide what should be considered a need and what should be considered a want?

_____

_____

_____

_____

_____

_____

_____

_____

2. **Fill in Joel's Budget Planning Sheet.**

Joel has the following sources of income. Write these figures in the appropriate blanks.
Cash: $8.00
Estimated income (Wages/Allowance)**:** $285.00

Total these two figures. Write your total in the blank for "Total Estimated Cash."

List Joel's expenses on the budget sheet under the appropriate categories and follow the steps to calculate the totals.

How did Joel do?

What was Joel's "Cash on Hand" at the end of the month?

How did you decide to categorize each of Joel's expenses?

What problems do you see with Joel's budget?

What can Joel do differently to save for an MP3 player?

Rewrite Joel's budget in the second column so that he ends up with $8.00 cash at the end of the month.

Joel's Budget Planning Sheet

Name: _____ Date: _____

Budget for: Joel

Pay Period: January

	Estimated Budget	Revised Budget
Cash on Hand (+)		
Estimated Income (Salary/Wages) (=)		
Total Estimated Cash		
Estimated expenses		
Savings		
School lunch		
Bus pass		
Entertainment		
Grooming needs		
Clothing fund		
School activity fee/expenses		
Miscellaneous expenses		
Total Estimated Expenses		
Total Estimated Cash (-)		
Total Estimated Expenses (=)		
Cash on Hand		

Joel's Budget Planning Sheet

Students may come up with alternate categorizations that are equally acceptable; e.g., they may include Joel's restaurant meals under Miscellaneous Expenses instead of Entertainment. These answers are acceptable as long as students provide a clear explanation of their process. Their revised budgets will vary accordingly.

Name: _____ Date: _____

Budget for: Joel

Pay Period: January

	Estimated Budget	Revised Budget
Cash on Hand (+)	$8.00 (+)	
Estimated Income (Salary/Wages) (=)	$285.00 (=)	
Total Estimated Cash	$293.00	
Estimated expenses		
Savings	$0.00	
School lunch	$60.00	
Bus pass	$12.00	
Entertainment	$132.00	
Grooming needs	$25.00	
Clothing fund	$100.00	
School fee/expenses	$10.00	
Miscellaneous expenses	$15.00	
Total Estimated Expenses	$354.00	
Total Estimated Cash (-)	$293.00 (-)	
Total Estimated Expenses (=)	($354.00) (=)	
Cash on Hand	($61.00)	

Hector's Budget

Name: _____ Date: _____

Hector is preparing his budget for the next month. Help him write his plan for January on the blank planning sheet.

Cash on Hand	$12.10
Salary	$295.50

Total the estimated cash lines and write them on the form.

List the following estimated expenses on the blank budget form under the appropriate categories and follow the steps to calculate the totals.

Savings	$60.00
Lunches	$60.00
Bus pass	$12.50
Entertainment	$80.00
Grooming needs	$25.00
Clothing fund	$25.00
School fees/expenses	$10.00
Miscellaneous expenses	$25.00

Hector's Budget Planning Sheet

Name: _____ Date: _____

Budget for: Hector

Pay Period: January

	Estimated Budget	Revised Budget
Cash on Hand (+)		
Estimated Income (Salary/Wages) (=)		
Total Estimated Cash		
Estimated expenses		
Savings		
School lunch		
Bus pass		
Entertainment		
Grooming needs		
Clothing fund		
School activity fee/expenses		
Miscellaneous expenses		
Total Estimated Expenses		
Total Estimated Cash (-)		
Total Estimated Expenses (=)		
Cash on Hand		

Hector's Budget

Name: _____ Date: _____

How close was Hector's actual spending to his estimated budget? Does he need to make any changes?

_____

_____

_____

Hector's Actual Budget

DATE	EXPLANATION	AMOUNT
Jan. 1	ASB dues	$10.00
Jan. 2	Tas-T-Burger	$10.17
Jan. 2	Bus pass	$12.50
Jan. 3	Savings	$60.00
Jan. 7	Movies and popcorn	$14.00
Jan. 10	Tas-T-Burger	$9.82
Jan. 10	School lunch account	$60.00
Jan. 14	Girlfriend's birthday	$35.00
Jan. 15	New sweatshirt	$19.00
Jan. 17	Tas-T-Burger	$10.12
Jan. 18	Movies and snack	$14.00
Jan. 20	Lent Joel money	$5.00
Jan. 22	Haircut	$15.50
Jan. 24	DVD rental	$4.50
Jan. 24	Pizza delivery (split w/friends)	$8.00
Jan. 29	New music downloads	$12.50

Hector's Budget

Students may come up with alternate categorizations that are equally acceptable. For example, they may include Hector's restaurant meals under Miscellaneous expenses instead of Entertainment. These answers can be accepted as long as they can provide a logical explanation of their process.

Name: _____ Date: _____

Budget for: Hector

Pay Period: January

	Estimated Budget	Revised Budget
Cash on Hand (+)	$12.10	$12.10
Estimated Income (Salary/Wages) (=)	$295.50	$295.50
Total Estimated Cash	$307.60	$307.60
Estimated expenses		
Savings	$60.00	$60.00
School lunch	$60.00	$60.00
Bus pass	$12.50	$12.50
Entertainment	$80.00	$83.11
Grooming needs	$25.00	$15.50
Clothing fund	$25.00	$19.00
School activity fee/expenses	$10.00	$10.00
Miscellaneous expenses	$25.00	$40.00
Total Estimated Expenses	$297.50	$300.11
Total Estimated Cash (-)	$307.60 (-)	$307.60
Total Estimated Expenses (=)	($297.50) (=)	$300.11
Cash on Hand	$10.10	$7.49

Your Own Budget

Students can practice what they've learned about budgeting by tracking their own spending for a week. They should fill in the estimated budget column at the beginning of the week and then compare it with their actual spending at the end of the week. They can use the Budget Planning Sheet to keep track of their expenses.

Students can compare their experiences in large or small groups.

Your Own Budget

Track your spending for a week and see where your money is going.

Before beginning:

Think about your fixed and variable expenses and estimate how much money you'll spend by answering these questions:

What do you spend money on every week (fixed expenses)?

About how much?

What do you spend money on some weeks but not others (variable expenses)?

About how much?

What do you think you'll spend the most money on this week? Why?

Will you have any unusual expenses coming up this week — a friend's birthday gift, or special weekend plans? If yes, how much do you think you might spend?

Use the Budget Planning Sheet to predict how much you'll spend on each of the listed expenses. Add any other expenses you know you'll have coming up.

At the end of the week:

Compare your predictions to your actual spending by answering the following questions.

What did you spend the most money on this week?

How close were your predictions to your actual spending?

What surprised you about where your money went this week?

If your total expenses exceeded your income, what did you have to do?

Budget Planning Sheet

Name: _____ Date: _____

Budget for: _____

Pay Period: _____

	Estimated Budget	Actual Budget
Cash on Hand (+)		
Estimated Income (Salary/Wages) (=)		
Total Estimated Cash		
Estimated expenses		
Savings		
Lunches		
Bus pass/transportation		
Entertainment		
Grooming needs		
Clothing fund		
School activity fee/expenses		
Miscellaneous expenses		
Other		
Total Estimated Expenses		
Total Estimated Cash (-)		
Total Estimated Expenses (=)		
Cash on Hand		

SMART Budgeting

Joel stared at the budget Hector wrote out for him.

"Wow," he said. "So in four months I can have an MP3 player? I thought it was just a dream."

"You can have it if you can stick with the plan and put away money every month," said Hector. "You can have anything if you plan for it."

Joel looked at him. "A car?"

"Make a plan."

"A trip to Europe after graduation?"

"Make a plan."

"A girlfriend?"

Hector folded his arms. "That, my friend, is up to you."

Start with a dream

Making a financial plan starts with your dreams. What do you want to make happen for yourself this month? This year? In the future?

Make a commitment

You can make any dream happen by planning for it, and then working to stick with your plan. Want to be an actor? Start getting involved in school productions and looking for drama schools. Want to buy a car? Figure out how much money you'll have to put away each month to make it happen.

Attainable financial goals are **SMART** goals. They are:

Specific: Easily understood and pictured.
Measurable: Progress can be tracked over time.
Attainable: Can be planned; broken into smaller, achievable steps that help you reach the goal.
Realistic: Within the realm of your capabilities.
Time-bound: Has a set timeline and end date.

Here's an example:

Specific goal: I want to purchase a car by my senior year of high school.
Measurable: I'll need to save enough money for the price of the car, tax, insurance and registration fees.
Attainable: I'll save $150.00 each month from my paycheck and half of all money gifts I receive.
Realistic: I can achieve this because I have two-and-a-half years to save.
Time-bound: By August of my senior year, with this plan I'll have enough money saved to buy a reliable used car.

Dream Big... Budget SMART

Objective:
To apply the principles of SMART goals to budgeting for a specific event.

Instructions:
In groups, students will plan for an event using the principles of SMART budgeting.

You can assign the suggested events or have the class brainstorm activities they'd like to make happen.

Have students use the SMART Project Evaluation Form and the questions provided to write a SMART action plan. They can make a poster or other visual representation of their plan to include in their presentation to the class. The class can rate their presentation using the SMART Project Evaluation Form.

Dream Big... Budget SMART

Your group is in charge of an all-school event. Pick one of the following scenarios to organize (or come up with one of your own). Then decide on a financial plan that will make the event happen. Last, your group will present its plan to the class for approval.

- Bring a celebrity to school
- Raise money for a charity
- Plan a class trip to a dream destination
- Cater school lunches for a day through a local restaurant

Make a SMART action plan by filling out the following checklist and answering the questions:

Is your goal...?

_____**SPECIFIC**
Write a short but detailed description of the event, including all the specifics you can. What celebrity will visit? What will he/she do at your school? Will your charity event be a garage sale or a fun run? What charity will it support?

Include a statement on why this event should take place. What benefits will it provide? What will make it worth the expense and effort? The more detail you include, the better idea you'll have of what it will take to pull off the event.

_____**MEASURABLE**
How will you know you are making progress? What smaller goals will have to be met along the way to make the end result a success?

_____**ATTAINABLE**
What steps will you need to follow to make the event happen? How much money will it cost? What sources of income are currently available to you? Will they be enough to cover the event? If not, how can you plan to increase your cash flow?

_____**REALISTIC**
Can students of your age and income feasibly pull it off? How do you know?

_____**TIME-BOUND**
When would this event occur? How can you reasonably plan for it in the amount of time allotted?

Present Your Findings:
Most groups that seek to produce an event present their financial plan to an overseeing board for approval. Your class will serve as your board of directors. Make a presentation based on your answers to the above questions. Your event will be given the go-ahead if it meets the criteria listed on the SMART Project Evaluation Form.

SMART Project Evaluation Form

Self Evaluation

Project title: _____

Group members: _____

Use this form to plan your own group project.

	1	3	5
SPECIFIC?	Goal unclear; details vague	General goal clear; some details provided; some questions left unanswered	Clear idea of the goal of project; specific details provided
MEASURABLE?	No plan at all	A few smaller financial goals provided	Smaller financial goals are set regularly
ATTAINABLE?	Smaller goals can't be met	Some smaller goals could be met	All smaller goals can reasonably be met
REALISTIC?	Hard to imagine students being able to pull it off	A big challenge, but not impossible	Realistic, attainable, very achievable
TIME-BOUND?	No	Vague schedule, clear deadline	Specific schedule and deadline

Rate your group's project plan on this chart. What are the strengths of your project plan?

_____

_____

Where does it need improvement?

_____

_____

SMART Project Evaluation Form

Group Evaluation

Project title: _____

Group members: _____

Use this form to evaluate other groups' presentations.

	1	3	5
SPECIFIC?	Goal unclear; details vague	General goal clear; some details provided; some questions left unanswered	Clear idea of the goal of project; specific details provided
MEASURABLE?	No plan at all	A few smaller financial goals provided	Smaller financial goals are set regularly
ATTAINABLE?	Smaller goals can't be met	Some smaller goals could be met	All smaller goals can reasonably be met
REALISTIC?	Hard to imagine students being able to pull it off	A big challenge, but not impossible	Realistic, attainable, very achievable
TIME-BOUND?	No	Vague schedule, clear deadline	Specific schedule and deadline

Rate the group's presentation using the criteria above. What are the strengths of the project plan?

_____

_____

Where could the plan use improvement?

_____

_____

How likely would you be to approve this plan and give the group the go-ahead to start planning the event?

_____

Why?

_____

_____

A Personal Budget

Smart budgeters break their goals down into three categories:
- Short-term: within three months
- Intermediate-term: three months to a year
- Long-term: one year or more

List three of your own short-term goals:

List three intermediate-term goals:

List three long-term goals:

Pick one of the goals you've listed above. Is this a short, intermediate or long-term goal?

Make it a **SMART goal** by answering the following**:**
Is it specific? Explain your goal in more detail. What exactly do you want and why do you want it? How will you benefit from it? Why will it be worth the expense and effort?

Is it measurable? How will you know you're making progress on the goal? How will you know when you've achieved it?

Is it attainable? What steps can you take to achieve it? What plan will you follow?

Is it realistic? Can a person of your age, ability and resources reasonably achieve this goal? Why?

Is it time-bound? What's your timeline for achieving this goal? Is the timeline reasonable?

A Personal Budget

Using the chart, evaluate how attainable this goal is.

	1	3	5
SPECIFIC?	Goal unclear; details vague	General goal clear; some details provided; some questions left unanswered	Clear idea of the goal of project; specific details provided
MEASURABLE?	No plan at all	A few smaller financial goals provided	Smaller financial goals are set regularly
ATTAINABLE?	Smaller goals can't be met	Some smaller goals could be met	All smaller goals can reasonably be met
REALISTIC?	Hard to imagine students being able to pull it off	A big challenge, but not impossible	Realistic, attainable, very achievable
TIME-BOUND?	No	Vague schedule, clear deadline	Specific schedule and deadline

How attainable is your goal? What are the strengths of your financial plan? Where could it use improvement?

Share your goal with a partner and explain your plan to achieve it. Your partner will evaluate your goal's attainability using the chart above.

Evaluate your partner's goal using the chart above. How attainable is his/her goal? What are the strengths of his/her financial plan? Where could the plan use improvement?

Financial Records

Part of becoming a smart budgeter is knowing where your financial records are. Some common financial records include pay stubs, dividend statements and bank statements. It's also important to keep records of your spending. By reviewing your receipts, account statements and check registers regularly, you can see where your money is going and make adjustments accordingly.

What financial records do you currently use? (If you don't know, find out which one you have available. As an alternative, interview a parent or another adult about what financial records they currently use.)

Where do you keep them? (If you don't know, make a plan for them now. As an alternative, interview a parent or another adult about where they keep their financial records.)

Chapter One Assessment

Name: _____ Date: _____

1. What is a budget?

2. What has been challenging for you about budgeting in the past?

3. What budgeting practices can you see yourself using in the future?

4. What is the difference between a need and want?

5. What advice would you give to someone about balancing the needs and wants in their budget?

6. What are the characteristics of an attainable goal?

7. How will you plan for goals?

8. How will you keep track of your financial records?

9. What's the most useful thing you learned about budgeting?

Chapter One: Assessment

Answer key

1. What is a budget?
   A spending and saving plan within a certain time period based on a person's goals for that time period.

2. What has been challenging for you about budgeting in the past?
   Answers will vary.

3. What budgeting practices can you see yourself using in the future?
   Answers will vary.

4. What is the difference between a need and want?
   Needs are things you require to survive; wants are things that increase your enjoyment or the quality of life.

5. What advice would you give to someone about balancing the needs and wants in their budget?
   Answers will vary.

6. What are the characteristics of an attainable goal?
   Specific, Measurable, Attainable, Realistic, Time-bound

7. How will you plan for goals?
   Answers will vary.

8. How will you keep track of your financial records?
   Answers will vary.

9. What's the most useful thing you learned about budgeting?
   Answers will vary.

Chapter Two: Getting Your Money's Worth

Spending responsibly is part of money management. Being conscious of spending habits will help students learn how to get their money's worth.

OBJECTIVES:
Students will learn:

- Spending habits
- Spending influences
- Shopping around for the best deal
- How people decide what to buy
- The Three "R's" of Money (reality, restraint and responsibility)
- The education pay-off

EALRs

Reading

1.1 Use word recognition and word meaning skills to read and comprehend text
1.3 Read fluently, adjusting reading for purpose and material
2.1 Comprehend important ideas and details
2.2 Expand comprehension by analyzing, interpreting, and synthesizing information and ideas
3.1 Read to learn new information
3.2 Read to perform a task
4.3 Develop interests and share reading experiences

Writing

1.1 Develop concept and design
1.2 Use style appropriate to the audience and purpose
1.3 Apply writing conventions

Communication

1.1 Focus attention
1.2 Listen and observe to gain and interpret information
1.3 Check for understanding by asking questions and paraphrasing
2.1 Communicate clearly to a range of audiences for different purposes
3.1 Use language to interact effectively and responsibly with others
3.3 See agreement and solutions through discussions
4.4 Analyze mass communication

Mathematics

1.1 Understand and apply concepts and procedures from number sense
1.2 Understand and apply concepts and procedures from measurement
2.3 Construct solutions
3.1 Analyze information
3.2 Predict and make inferences
3.3 Draw conclusions and verify results
4.1 Gather information
4.2 Organize and interpret information
4.3 Represent and share information

Chapter Two Overview: Getting Your Money's Worth

These activities are included in Chapter Two. They can be adapted as you see fit into individual, small-group or whole-class activities (the recommended grouping is in parentheses).

- Pre-Assessment: How do you decide what to buy? **(Individual; discuss as a class)**
- What's Your Spending Breed? **(individual)**
- Pictographs: The Three "R's" of Money **(individual or partner)**
- You Better Shop Around **(individual or group)**
- Calling All Spenders **(group)**
- The Education Pay-off **(individual)**
- Values pictograph **(individual)**
- This is Your Life poster **(group)**

CHAPTER TWO TERMS:
Students should add these terms to their Visual Dictionary (see introduction for instructions) as they arise:

- Fixed expense
- Variable expense
- The Three "R's" of Money: reality, restraint, responsibility

Pre-Assessment: How do You Decide What to Buy?

Objective:
To encourage students to explore the decision making process when considering a purchase.

Ask students to complete the "How Do You Decide What to Buy?" student handout.

Write the number of each question on the board and ask for a show of hands: "How many of you agreed with this statement? How many disagreed?" Go through each of the items presented.

Discussion Guide:
Ask students:

- What do you think it means to "get your money's worth"?
- What are you currently doing to get your money's worth?
- Which of the spending habits on the questionnaire do you think helps you get your money's worth? Which would keep you from getting your money's worth?

How do You Decide What to Buy?

Write A for agree or D for disagree next to each statement.

1. _____I like to be spontaneous when shopping. I often buy on impulse.

2. _____I can be easily persuaded by store clerks to buy things, even if I don't really need or love them.

3. _____I can't turn down a great deal, even if it's for something I don't really need or want.

4. _____I do research for things I plan to spend money on: I talk to friends, check out consumer websites or magazines, or consult experts before making a decision.

5. _____I often shop for recreation, not because I need or want something specific.

6. _____Putting money into savings is the last thing I plan for when writing a budget.

What's Your Spending Breed?

Objective:

To have students think about their spending habits and discuss what habits make for better financial decision-making.

Instructions:

Working individually or with a partner, students will fill out the "What's Your Spending Breed?" worksheet, then read through the "Spending Breeds" provided. A few descriptions of different dog breeds are included; however, you can allow students to describe a different breed as long as it clearly paints a picture of their spending habits.

Students will fill in the sentence: "My spending breed is _____ because _____." They will then make a visual representation of their analogy.

Example:

"My spending breed is a bulldog, because I'm dependable, I think things through and I like to be in control of my money."

What's Your Spending Breed?

Yuki sat down on the front steps of the school and sighed.

"What's wrong with you?" asked Maya.

"My mom's getting me a cell phone," said Yuki glumly.

"That's great!" cried Maya. "You're so lucky."

"But only if I help pay for it. She'll pay the start-up fee if I buy the phone and pay for the plan. She wants me to find the plan that gives me the most value for my money."

"So?"

"So? So I spent all yesterday looking at cell phone ads. I got brochures. I called different providers. They all tried to sell me stuff. My head is so full of numbers and times and weekend minutes that I close my eyes at night and hear ringing. I'm sick of the whole thing."

Maya shut her magazine. "But you just started yesterday!"

"I don't care. I hate this shopping around thing. I just want to go to the mall, walk up to the booth I see and get the first plan they offer me. Then I'd just be done with the whole thing."

"Don't do it, Yuki!" said Maya. "Remember what Ms. Moruzzi was talking about in Personal Finance class. Don't be a Yorkie!"

"A Yorkie?"

"Remember? What breed of spender are you? The Yorkshire Terriers are impulsive and stubborn."

Yuki laughed. "And not easily housebroken."

Maya rolled up her magazine and held it up. "Don't make me use this."

"Then help me!"

Maya threw down the magazine and held out her hand. "Okay, girl. Let's see your brochures. Then I'll get you a biscuit."

What's Your Spending Breed?

Directions:
Read through the following breed descriptions, and decide which is most like you as a spender. Then, write three reasons why you are like that breed and draw a picture of your spending breed to share with classmates.

Spending Breeds

Maltese: Energetic, affectionate, playful. Demands time, attention and constant grooming. Likes the finer things in life. Will not settle for bargain brands or cheaper dog food; only the best will do. Over pampering makes him unstable.

Newfoundland: Calm, gentle, and trustworthy. Thinks for herself. Intelligent. Can recognize quality, but values inner peace, family, and relationships above all. Tends to drool.

Beagle: Sweet, lively, and curious. Highly intelligent, brave and sociable. Wants to try out everything. Adventurous. Sometimes takes risks that are beyond her capabilities. Has a loud baying bark.

Collie: Loyal, steadfast, determined. Collies are known for picking a course and sticking to it—one legend says a collie traveled over 2,000 miles to find his lost master. Hard-working, friendly, and dependable.

Yorkshire Terrier: Overeager for adventure and trouble. Impulsive. Fun-loving. Cannot delay gratification: desires treats immediately, even if he spoils his appetite for a larger payoff. Can be stubborn, but very trainable. Sometimes hard to housebreak.

Which breed is most like you?

My spending breed is _____ because _____

_____.

Draw a poster or visual representation of your spending breed.

The Three "R's" of Money

Objective:
To introduce students to the Three "R's" of Money: reality, restraint and responsibility.

About pictographs:
Pictographs are students' visual representations of vocabulary words. Students draw a central image in the center of a sheet of paper that defines the term. Then, around this image, student can draw examples of that term.

For example, for "fixed expenses," a student might draw a large, sturdy dollar sign on a train. The student might then explain that fixed expenses are set amounts that are paid regularly, like stops on a train. Around this image, the student might draw a car, meaning a car payment; a light bulb for an electric bill, or a cell phone for their phone bill. These images should be explained on the back of the drawing.

In evaluating pictographs, look for a drawing that is clear (if not artistically beautiful!) and that directly represents an accurate meaning for the term defined. The drawing should be accompanied by clear written explanation of the student's symbology. A less effective pictograph will include both a drawing and a written explanation that are less detailed or clear; a substandard one will be missing one of the above elements or may be inaccurate or poorly explained.

Using pictographs as a teaching strategy accomplishes a few things; it engages students' attention, it helps them remember vocabulary terms, and it gives you an opportunity to discuss the larger meanings of the words rather than just defining them.

You can adjust this activity to the needs of your class in several ways:

Have students do the pictographs on their own or with partners or small groups. Or, assign each group one term to define. Then display all the artwork around the classroom or give students opportunities to share and discuss the pictographs they made.

The Three "R's" of Money

For most people, getting their money's worth means considering the price of an item and how the amount of money available to spend.

People make spending choices for a variety of reasons including likes, dislikes, values and needs.

Part of becoming a responsible spender is deciding how to balance your needs, wants, and values. Remembering The Three "R's" of Money: **reality, responsibility** and **restraint** can help in your decision-making.

Vocabulary Pictographs

Either by yourself or with a partner, show what each term means to you in pictures or symbols. Then draw or write several examples of the symbol around your pictograph.

On the back of each drawing, write an explanation of the symbols you used.

REALITY (of money): Knowing there are limits to the time and money you have at your disposal.

RESPONSIBILITY (of money): Making decisions about how to spend and save; taking ownership and control for your own financial decisions, accepting consequences of those decisions.

RESTRAINT (in spending): Using self-control; delaying immediate spending and momentary pleasure to achieve a more distant goal.

You Better Shop Around

"So did you decide what I should buy?" Yuki asked as she and Maya were walking home.

Maya eyed her. "Very dangerous, handing over your decision-making power to your best friend."

"Why? Joel does it all the time to Hector."

"You wanna be like Joel?"

"Good point."

The girls reached Maya's door and went inside. Maya opened a kitchen drawer and pulled out an old copy of Consumer's Digest magazine. She flipped through the pages.

"Here it is," she said. "Cell phone reviews. You're on the right track. You've gotten some brochures and called a few of places. You're comparing prices and plans. How much can you spend per month?"

"Well, I make $250.00 from my job. But I also have to buy my lunches and pay for movies and stuff. And I have to have my music. So I figure the lower the better." Yuki flipped open a brochure.

"Here's the one I want. It takes pictures, has a video camera, text messaging, and a data plan. Oh! And look! It's free if I get this plan! That's a $275.00 value for FREE!!" She picked up the phone and started to dial. "I'm signing up now!"

Maya clicked down the receiver. "Hold it. What's the offer?"

Yuki glanced at the brochure, then put the phone down. "Oh...$150.00 a month. And a $100.00 start-up fee. But it has unlimited minutes!" She thought. "If I stop eating lunch, and never go to the movies again, I could swing $150.00 a month."

Maya flipped the page over. "Now look. Here's a free phone, free shipping. Plan is $19.99 a month."

"Yeah, but it has no camera. And only 60 minutes a month before you have to pay extra."

"Well, who are you going to call?"

"You. Hector. Joel. My mom."

"So how many minutes do you really need? You see us all day, and you'll only talk to your mom for a couple minutes."

"But I really want the video camera! It's just so cool. Marcia Flores has one just like it."

Maya picked up another brochure. "Well, that's a great reason to blow $150.00 a month. How often do you think you'll be recording videos during the day anyway?"

"Okay, okay. How should I decide, then?"

Maya tossed over a stack of brochures and the Consumer's Digest magazine. "Here you go. Start researching."

You Better Shop Around

Time To Decide:
What factors should Yuki take into consideration when buying a phone and a plan?
Rank the most important factor 1. Rank the least important factor 8. Rank the rest of the factors according to their importance.

_____Low price of phone and plan

_____Special features: video, text messaging, digital camera, etc.

_____Income available to spend on phone

_____Popularity of phone

_____When she'll realistically use phone

_____How she'll realistically use phone

_____Most necessary features

_____Phone's reputation for reliability and customer service, according to experts, consumer groups, etc.

How did you decide which factors were most or least important?

_____

_____

_____

_____

Share your answers with a classmate. How did his/her ranking differ from yours?
How was it the same?

_____

_____

_____

_____

Calling All Spenders

Objective:
Students can learn to become smart shoppers by researching their purchases. This activity helps them to become aware of what resources are available for this type of research. It also encourages them to weigh wants versus needs when making a decision about what to buy.

Discussion Guide:
After completing the "Calling all Spenders" activity individually or with a partner, ask students to share their recommendations for Yuki. Be sure to discuss how they made their decision.

Some students may pick the cheapest phone and plan available. Discuss the pros and cons of this action: Yuki will save money, but will she be happy with the phone and service? Would it be worthwhile to spend a bit more? Answers will vary.

Values: Point out to students that values play into decision-making. Yuki needs to decide which values are most important to her in making this decision: low cost, convenience, status, etc. You can list the values involved on the board.

As a class, ask students to brainstorm how they would go about making a purchase like a cell phone and plan. Who would they ask about brand information and reliability of the phone? Where would they find customer reviews and recommendations?

Students may volunteer websites like consumerreports.org, or the customer review sections of sites like amazon.com. Others will mention magazine reviews, newspaper reviews, or friends and family who have either professional knowledge or personal experience.

Optional activity:
You can ask students to research a cell phone plan for themselves, based on their own values. Ask them the following questions:
- How much will they use the phone?
- What features would they need? Most students use phone to chat with friends or to stay in touch with family. Ask them to be realistic about what they really need.
- How much income do they have to spend on the phone per month? Up front?

Based on the answers to these questions, students can search the Internet, call local providers, or research print resources to find a phone that gives them the best value for their money. Additionally, ask them to make use of consumer guides and recommendations.

Calling All Spenders

Evaluate the following cell phones and plans:

MegaTechTronic Phone+Plan

Digital camera! With the MegaTechTronic 6620 phone, you have advanced imaging features to stream video over EDGE, MP3 player, digital camera with 2x zoom, and PDA functionality so you can manage your life at work and play. Key feature for this phone includes 12 MB of memory plus 32 MB included MMC card. This phone features:

- Integrated camera and video recorder
- Mobile Internet
- Combine image, video, text and voice clip and send as multimedia
- Play music with MP3 player

$500.00 value! Your price: $99.00 with plan

Plan includes:

- 1250 Anytime minutes
- Unlimited night/weekend minutes
- $75.99/month; $250.00 one-time start-up
  (Internet charges additional: check with Internet provider)

Consumer Digest review: "The MegaTechTronic is the Cadillac of on-the-go wireless technology. Ideal for frequent travelers or busy professionals. Superior customer service; lifetime guarantee."

MobileTalk: Stay Connected Phone and Plan

The MobileTalk 2000 cell phone from MobileTalk is a superior messaging device, with fold-open access to a full keyboard that makes text input faster and easier.
This phone also includes:

- Choosing your method of messaging: e-mail, text, instant messaging or picture-messaging
- Managing contacts, calendar and to-do list with reminders
- Java™ technology for application downloads

$150.00 value! FREE with plan!

Plan includes:

- 1000 Whenever minutes
- Free long distance and roaming within MobileTalk network
- Included features: voicemail, numeric paging, caller ID, call waiting, call forwarding, and conference calling.
- Only $29.99 a month!

Consumer Digest review: A nice, basic plan and reliable phone. Customer can wait a long time for service, but good help is available. Good value at the price. Ideal for family members.

RK Wireless: Basic Phone and Service

Sleek and stylish without being complicated, RK Wireless' 710 features a folding design with color main display, Java, voice dialing, speakerphone, assignable ring tones, long battery life, and more.

Features Include:

- Large color display
- Voice dialing
- Voice memo
- Games

$100.00 value. Free with plan.

Plan includes:

- No roaming fees
- Call hold and call waiting
- Unlimited night and weekend minutes
- 60 Anytime minutes
- Text messaging: 15 cents/message
- Long-distance: 10 cents/minute

Consumer Digest review: Decent budget phone for local emergency-only purposes; however, don't rely on it for long-distances trips as this new company does not provide service in many areas. Customer service available M-F 8-5 EST only.

Which phone and plan should Yuki choose? Remember that she has $250.00 of income per month.

_____

Explain how you made your decision:

_____

_____

_____

The Education Pay-Off

The door opened and Maya's mother rushed in. She was still wearing her cashier's apron from the Food Mart where she worked. "Hello and goodbye," she said, and ran up the stairs.

"What's her rush?" asked Yuki.

"She's off to school," said Maya and walked to the stairs. "Hurry up, Mom! You're late!"

Mrs. Jones came down again. The apron was gone and she was carrying a backpack. "See you later," she said, rushing out the door.

"School!?!" asked Yuki. "What for?"

"She's getting her college degree," said Maya. "She got married and had us kids before she had a chance to go. But she's always wanted to be a nurse. And she really wants to get a job that pays more money so she can help send us to college in a couple of years."

"Cool," said Yuki. "But isn't she spending money to go to college? How will that help her make money to send you?"

"It's like Ms. Moruzzi said in class," said Maya. "She's investing. She pays out money now for her education, and then her job pays her back with a higher salary. It's hard work and we all have to help out around the house, but Mom's happier and in the long run, it'll be better for our family."

"Hmm," said Yuki. "So you're saying that if I save money now on my phone service, I can put it away for college. Then I shell out a bunch of money for college. And then, someday I'll have a great job and be able to afford a really cool cell phone with a video camera in it."

"That's your big pay-off?" said Maya. "That stupid phone? What about personal satisfaction? What about doing some job that makes you feel good about yourself? What about being able to take care of yourself and your family, or buying the apartment or house or car you really want?"

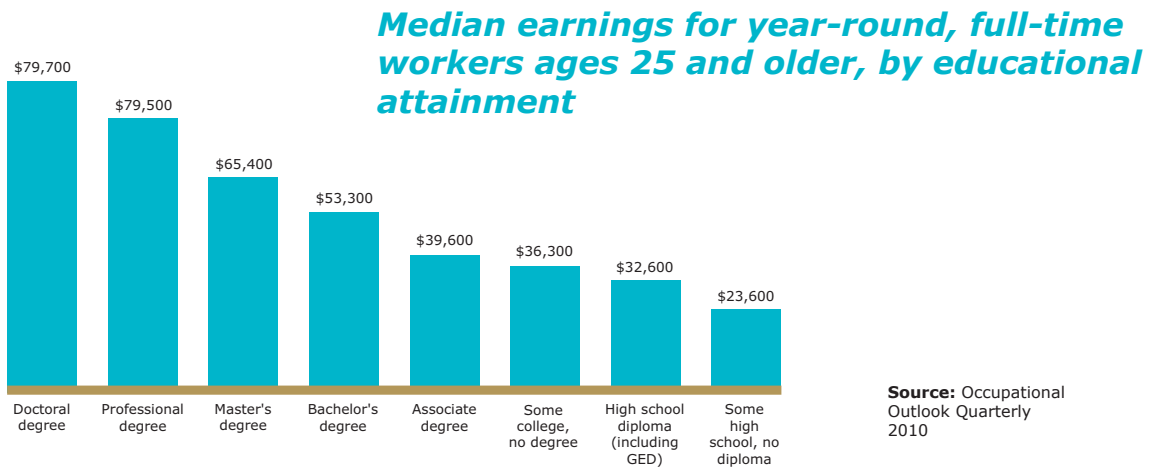
Yuki sighed. "Fine. Basic service it is."

Education Pays

There aren't any guarantees when it comes to making money, and money isn't guaranteed to buy you happiness. But education is an investment that does pay off in the future, and it gives you more choices and control about the path you want your life to take.

In general, the more education you receive, the higher your earnings will be. With more earnings, you have more choices—about saving, purchasing, traveling, donating to charity, starting a business—and otherwise making your dreams come true. You'll also have the security of being able to provide for your and your family's future. Investing in your education is a sound financial decision.

Education Pays Graph:



Study the above graph. How would your life be different if you earned a professional degree? If you had an associate degree? If you didn't graduate from high school? What are the advantages and disadvantages of each level of education?

Values Pictograph

Objective:
To define values and to show how they influence decision-making and spending.

Earlier, students did pictographs defining The Three "R's" of Money. Values are so important to determining one's financial future that they deserve their own pictograph.

Discussion Guide:
Before assigning the Values Pictograph, have a discussion with students of some examples of values that affect their decision-making. Ask:

- How important is education? Social acceptance or status? Giving to charity? Saving? Marriage and family? Independence?
- List examples of values on the board so students have a reference point for their own examples of values.

Write the definition of values on the board and ask them to make a pictograph (see p. 46) of what values mean to them. Be sure that students understand there are three parts to the pictograph:

1) Illustrating their understanding of the definition of values.
2) Showing examples of their own values.
3) Writing an explanation of the images they used.

Values:
The important beliefs in a person's life. Values affect our choices, behavior and decision-making.

Example: A student may draw ingredients being emptied into a mixing bowl. Around this central image, the student may draw a synagogue, a family, a horse and a school. The student's explanation may be: "Values are all the important 'ingredients' that make us who we are. My most important values are my religion, my family, my love for horses and desire to be a veterinarian and education."

This is Your Life

Objective:
Students will think about how education and income level, as well as family size, affects spending choices.

Instructions:
Students will be organized into family groups. Each family group will be assigned an income based on their education level. You can use the family budgets provided to assign the different families.

Students should use the family budgets to make a lifestyle poster. They can use the Internet, magazines and house listings in the newspaper or in brochures to cut out pictures of the type of house, car, vacation and extras they can buy with their budget. Extras can be restaurant meals, clothing, toys, media or sports equipment. Each item should be labeled with a short description and a cost. Groups will present their posters to the class.

Before doing this exercise, explain the following to the students:
- The price ranges given are approximations based on the guideline that a family can spend between 30-40% of its income on housing.
- The rest of a family's total debt should be kept to under 40%.

Of course, housing and car choices vary by housing prices in a certain city, how much other debt the family has and various other factors. Make sure students understand the figures provided are meant to give a very general picture of what life is like at different income levels.

Also, make sure students understand that a family or individual should not spend their entire income in a year. Ideally, the family would also have various savings and investment plans that are not included in these budgets.

Family Scenarios:

Married couple: Doctor and architect
Children: Ages 8 and 10
Education level: Graduate degree
Income: $250,000
House price range: $500,000-$750,000
Car price range: $60,000-$75,000
Vacation price range: $12,000/year
Extras: $24,000/year

Single mom: Teacher
Children: Ages 11 and 15
Education level: Bachelor's degree
Income: $46,300
House price range: $125,000-$135,000
Car price range: $9,000-$12,000
Vacation price range: $2,000-$3,000/year
Extras: $1,500/year

Married couple: Homemaker and state worker
Children: Ages 2, 4 and 7
Education level: Master's degree (both)
Income: $55,300
House price range: $135,000-$145,000
Car price range: $12,000-$15,000
Vacation price range: $2,500-$3,500/year
Extras: $1,800/year

Single mom: Beautician
Children: None
Education level: Associate degree
Income: $35,400
House price range: $95,000-$105,000
Car price range: $5,000-$7,000
Vacation price range: $1,000/year
Extras: $600/year

Married couple: Part-time store clerk and receptionist
Children: Age 1
Education level: Some college, no degree (both)
Income: $45,400
House price range: $125,000-$135,000
Car price range: $8,500-$10,500
Vacation price range: $2,000-$2,500/year
Extras: $1,200/year

Single dad: Mechanic
Children: Age 4
Education level: High school diploma
Income: $28,800
House price range: $85,000-$90,000
Car price range: $5,000-$6,000
Vacation price range: $1,000/year
Extras: $900/year

Single dad: Waiter
Children: None
Education level: Some high school, no diploma
Income: $21,400
House price range: Rent $500-$550/month
Car price range: $2,000-$2,500
Vacation price range: $600/year
Extras: $600/year

Chapter Two: Assessment

Name: _____ Date: _____

1. What are some influences that affect the way people spend their money?

2. What are some of your spending influences?

3. What's the relationship between a person's level of education and his or her income level?

4. How do you see this relationship affecting your decisions about your own education in the future?

5. Define values and give an example of how they can affect financial decision-making.

6. When making a spending decision, what are some strategies you can use to know that you're getting your money's worth?

Chapter Two: Assessment

Answer key

1. What are some influences that affect the way people spend their money?
   Answers will vary but may include: Values, income level, peer pressure, wants, needs.

2. What are some of your spending influences?
   Answers will vary but may include: Values, income level, peer pressure, wants, needs.

3. What's the relationship between a person's level of education and their income level?
   In general, the more education a person has, the higher the income.

4. How do you see this relationship affecting your decisions about your own education in the future?
   Answers will vary.

5. Define values and give an example of how they can affect financial decision-making.
   Values are the important beliefs in a person's life. Values affect our choices, behavior and decision-making. Examples will vary, but may include: Education is a value for me, so I am saving money for college rather than buying a car.

6. When making a spending decision, what are some strategies you can use to know that you're getting your money's worth?
   Answers will vary but may include: Shopping around, seeking advice, doing research, thinking about my wants and needs.

Chapter Three: Saving and Investing

Saving and investing are strategies people use to make their money work harder for them. Students will learn about how saving and investing can make their assets grow.

OBJECTIVES:

Students will learn:

- Why it is important to save
- The time value of money
- Compound vs. simple interest and how to calculate each
- Some investment choices, such as stocks, bonds, CDs, etc.

EALRs

Reading

1.1 Use word recognition and word meaning skills to read and comprehend text
1.2 Build vocabulary through reading
1.3 Read fluently, adjusting reading for purpose and material
2.1 Comprehend important ideas and details
2.2 Expand comprehension by analyzing, interpreting, and synthesizing information and ideas
3.1 Read to learn new information
3.2 Read to perform a task
4.3 Develop interests and share reading experiences

Writing

1.1 Develop concept and design
1.2 Use style appropriate to the audience and purpose
2.2 Write for different purposes

Communication

1.1 Focus attention
1.2 Listen and observe to gain and interpret information
1.3 Check for understanding by asking questions and paraphrasing
2.1 Communicate clearly to a range of audiences for different purposes
3.1 Use language to interact effectively and responsibly with others
3.3 See agreement and solutions through discussions

Mathematics

1.1 Understand and apply concepts and procedures from a number sense
1.2 Understand and apply concepts and procedures from measurement
2.3 Construct solutions
3.1 Analyze information
3.2 Predict and make inferences
3.3 Draw conclusions and verify results
4.1 Gather information
4.2 Organize and interpret information
4.3 Represent and share information

Civics

2.2 Understand the function and effect of law

Economics

1.1 Comprehend key economic concepts and economic systems
1.3 Understand the monetary system of the U.S. and how individuals' economic choices involve cost and consequences.

Chapter Three Overview: Saving and Investing

These activities are included in Chapter Three. They can be adapted as you see fit into individual, small-group or whole-class activities (the recommended grouping is in parentheses).

- Pre-Assessment: Why Save? (**small group**)
- Saving: The Time Value of Money (**individual**)
- Compound Interest (**individual**)
- Making Your Money Grow (**individual** or **small group**)
- How to Calculate Interest (**individual** or **small group**)
- Rule of 72 (**individual** or **small group**)
- Save Yourself (**individual** or **small group**)
- Your Risk Factor (**individual**)
- Invest in Your Future (**small group**)
- Starting Early (**individual**)
- Pay Yourself First (**individual**)
- Assessment (**individual**)

CHAPTER THREE TERMS:
Students should add these terms to thier Visual Dictionary (see introduction for instructions) as they arise:

- Investing
- Time Value of Money
- Interest
- Compound interest
- Risk
- Rate of return
- Diversification

Pre-Assessment: Why Save?

Objective:
To aid students' comprehension of the concept of saving and to generate real-life examples of saving.

This activity is a List-Group-Label activity. As a class, students will generate a list of all the reasons they can think of to save money.

First, ask the question: "Why do people save money? Give as many examples and reasons as you can."

Next, students will work in small groups or partners to group the items on their list into categories. They will look for similarities and differences among the items and group the ones that seem to belong together.

Last, the students will label each category as they see fit.

The final product will be a student-generated, organized list of reasons people save money and some examples of how money is saved.

Example:
Students might come up with the following reasons to save:
- College
- For a car
- To go on a trip
- So you can quit working when you want to
- In case you get sick, lose your job, etc.
- To take care of family

Students may group their examples into these groups:
- Emergencies
- Expensive purchases
- Retirement
- Fun
- Recurring expenses
- Education

Ask students to share their responses with the class.

Discussion Guide:
Ask students:
- Why is it important to save money?
- What are some things you do now to save your money?

List-Group-Label

Name: _____ Date: _____

List all the reasons you have saved money in the past or what you might save for in the future.

Group similar items together.

Label each group and explain why the items belong together.

Saving: The Time Value of Money

"Last week," boomed Ms. Moruzzi, the orange-haired Personal Finance teacher, "you acted as family groups to plan your family's budget. This week, we will speak of another type of family." She held up two dollars. "Meet the Bills! This is Mr. Bill. This is Mrs. Bill. We want their family to grow into lots of other bills, of large denominations. How can we do this?"

"We already covered that in Health class, Ms. M," called Joel.

"Very funny," said Ms. Moruzzi. She put the dollars down and walked around the class, handing out paper money. "Today, we begin a race. In teams, you will receive $500.00. Your job is to make that money grow. We will count every day in class as a year. You will each set goals. There will be prizes for teams who meet their goals at the end of 5, 10, 15, 20 and 30 years. Plus, I will award a grand prize for the team with the most money at the end of 30 years."

"What prizes?" asked Yuki.

"Wait and see." Ms. Moruzzi paused. "What are some ways you know of to make money grow?"

"Savings?" someone volunteered. "My savings account earns interest every year."

Joel raised his hand. "How about those account thingies at the bank? DVDs?"

"You mean CDs. Certificates of Deposit." Ms. Moruzzi wrote CD on the board. Other students began to volunteer.

"Bonds."

"Bills."

"Mutual funds!"

"Fine," said Ms. Moruzzi. "You now have some instruments to work with. Meet in your teams and plan your financial strategy."

Hector, Maya, Yuki and Joel pushed their tables into a circle.

"So what should we do?" asked Yuki. "How do we grow our money?"

"I have a plan," said Joel. "Let's do nothing. I think everyone else is going to try really risky stuff like crazy stocks to make their money grow. If we just sit on it, we'll still have $500.00 at the end of the month and win the prize."

"No way." Maya shook her head. "That's like keeping your money in a piggy bank. Over 30 years, you'd actually lose money, if you count inflation and the cost of living and all. We've got to look into some investments."

"Yeah," said Hector. "Let's find some awesome stocks."

"But not too awesome. They crash all the time. Remember the dot com bust?"

"Well," said Yuki, "what if we try a lot of different stuff? Some risky that might make a bunch of money, and some safe, so we have a cushion."

"Good idea," said Hector. "Diversify."

"Okay, then," said Maya. "We've got our strategy. Now let's get to work."

But Joel was muttering under his breath.

"What, Joel?"

He spoke up. "There's nothing wrong with piggy banks."

WHY SAVE?

"Spend less than you earn and put the rest into savings."

You might call the statement above the golden rule of saving.

Some people might feel that saving money is a burden. Consider this: many of us have a latte-a-day habit. Say one latte is $2.50. If you buy five lattes a week, you're spending $12.50 a week on your coffee habit.

Now say you gave up two of those lattes by making coffee at home twice a week. You just saved $5.00 a week. Multiply that by 52 weeks in year, and you've saved $260.00 by cutting down on your caffeine.

The question is, what will you do with that $2.50 you kept in your wallet every time you walked by the espresso stand? Will you spend it on something else or will you make a plan for it… for something bigger in the future?

SAVINGS AS AN INVESTMENT: EARNING INTEREST

You can put that $2.50 to work for you by earning interest. Interest is a fee paid by the financial institution for the use of money. For example, if you put the money you save by skipping your latte into a savings account, the financial institution will pay you interest. In this way, your savings will become an investment.

Investing is one of the smartest financial decisions you can make. Savings that start working for you by earning profit or interest are investments.

When you invest your savings and then take the income earned and invest it in turn, the increase over time will be substantial.

The Time Value of Money

To understand investing, you need to understand the Time Value of Money. The Time Value of Money is the relationship between time, money and the rate of return (the rate at which your savings grow). The $260.00 you saved in a year from the previous example is worth so much more over time if you invest it wisely because of the interest it is earning. Over time it will grow. Understanding the Time Value of Money will help you make smart investment choices.

Take a look at the chart below to see what happens to a $1,000.00 investment at different rates of interest over time:

	5 years	10 years	15 years	20 years
5%	$1,276.30	$1,628.90	$2,078.90	$2,653.30
6%	$1,338.20	$1,790.80	$2,396.60	$3,207.10
7%	$1,402.60	$1,967.20	$2,759.00	$3,869.70
8%	$1,469.30	$2,158.90	$3,172.20	$4,661.00
9%	$1,538.60	$2,367.40	$3,642.50	$5,604.40
10%	$1,610.50	$2,593.70	$4,177.20	$6,727.50
11%	$1,685.10	$2,839.40	$4,784.60	$8,062.30
12%	$1,762.30	$3,105.80	$5,473.60	$9,646.30

What happens to $1,000.00 invested at 7% over five years?

Over 15 years?

Why is it important to understand the Time Value of Money?

Simple and Compound Interest

Name: _____ Date: _____

To recognize your money's true value over time, you need to understand two ways of calculating interest rates.

Simple Interest

Simple interest means that you will earn a specific rate of interest on your initial deposit amount over time.

Dollar amount X interest rate X length of time (in years) = amount earned

For example, say you put $100.00 in a savings account earning 2% simple interest.

After one year, you will have earned $2.00 (100 X .02 X 1 = $2.00).

You will continue to earn $2.00 a year. After two years, you will have earned $4.00. After three years, you will have earned $6.00, and so on. Your money will always grow at a rate of 2% of your initial deposit of $100.00.

Compound Interest

Not many investments use a simple interest rate. You are far more likely to put your money into investments that earn compound interest. Compound interest means interest is paid on your **original deposit plus earned interest**. In other words, your profit from interest helps you earn more interest.

(Original dollar amount + earned interest) X interest rate X length of time = amount earned

If you deposited $100.00 in a savings account at 2% interest compounded annually, you would earn $2.00 the first year.

$100.00 X .02 X 1 = $2.00
$100.00 + 2 = $102.00

During the second year, your interest would be earning interest. So you would be calculating 2% interest on your new amount of $102.00.

($100.00 + 2) X .02 x 1 = $2.04
$2.04 + $102 = $104.04

Now, say you saved $260 a year by giving up two lattes a week. What if you took that $260 and put it in a savings account earning 2% a year compounded annually?

Original deposit	After one year	After 5 years	After 10 years
$260.00	$265.20	$287.06	$316.94

Your money went to work for you and all you did was drink coffee from home two times a week. Just imagine if you had given up three lattes a week. Or if you found an investment with a higher interest rate. Saving and investing money is lifelong skill that helps people prepare for the future. Making smart choices about investing helps you reap greater payoffs.

Explain how compound interest can help your money grow:

Making Your Money Grow

The exercises provided are basic problems students should be able to solve using either the compound interest table provided and a standard calculator, OR a TVM calculator (available on many websites by doing a simple search for “TVM calculator”).

Making Your Money Grow

Financial institutions make it convenient for you to calculate interest. One reference is a compound interest rate table. An example of such a table is shown below:

Compound Interest Table

Periods	1%	3%	5%	6%	8%
1	$1.0100	$1.0300	$1.0500	$1.0600	$1.0800
2	$1.0201	$1.0609	$1.1025	$1.1236	$1.1664
3	$1.0303	$1.0927	$1.1576	$1.1910	$1.2597
4	$1.0406	$1.1255	$1.2155	$1.2625	$1.3605
5	$1.0510	$1.1593	$1.2763	$1.3382	$1.4693
6	$1.0615	$1.1941	$1.3401	$1.4185	$1.5869
7	$1.0721	$1.2299	$1.4071	$1.5036	$1.7138
8	$1.0829	$1.2668	$1.4775	$1.5938	$1.8509
9	$1.0937	$1.3048	$1.5513	$1.6895	$1.9990
10	$1.1046	$1.3439	$1.6289	$1.7908	$2.1589
11	$1.1157	$1.3842	$1.7103	$1.8983	$2.3316
12	$1.1268	$1.4258	$1.7959	$2.0122	$2.5182
13	$1.1381	$1.4685	$1.8857	$2.1329	$2.7196
14	$1.1495	$1.5126	$1.9799	$2.2609	$2.9372

Using the Compound Interest Table:

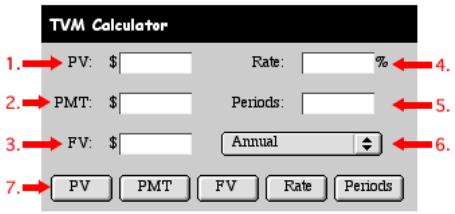
Say you put $100.00 into an account that earns 6% compounded interest annually for two years. Your periods would be 2 and your interest rate would be 6%. The figure you get from this table is $1.1236.

Multiply your original investment by the figure from the table. The result is your new balance over two years.
$100.00 X $1.1236 = $112.36

TVM Calculators:

You may have access to a Time Value of Money (TVM) calculator at your school. If not, you can easily find one by doing a quick search on the web.

Using a TVM calculator makes determining your interest easy. A TVM calculator typically looks like this:



Many versions of this calculator are available online.

Here's how each field is used:

1. PV (Present Value): The amount of money you're starting with, such as an initial deposit.

2. PMT (Payment): Tells you how much each of your payments would be; for example, a house or car loan.

3. FV (Future Value): Determines what your total amount of money will be after a certain amount of time, taking into account compounded interest.

4. Rate: The interest rate is entered here.

5. Periods: Tells you how many payments you will make or receive. For example, if you make a monthly payment on a car loan for two years, the number of periods is 24 (12 months x 2 years = 24 payments)

6. Compounding field: Will tell you how often interest is compounded; for example, weekly, quarterly, monthly or annually.

7. Function buttons: This is where you tell the calculator which value you'd like it to calculate.

Using the TVM Calculator:
Enter in all the information you have, and press the button for the value you're trying to determine.

For example:
Say you deposit $100.00 dollars into a savings account with a 6% interest rate compounded annually. You want to find out how much you'll have in three years.

Enter the following values into the appropriate fields:

PV: 100.00
PMT: 0 [Not applicable in this situation]
FV: blank [the value you're trying to calculate]
Rate: 6%
Periods: 3
Compounding: annual

Now, press the FV button.

Your total should be $119.10

Making Your Money Grow

Name: _____ Date: _____

Using either the Compound Interest Table or a TVM calculator, solve the following. If applicable, show your work:

$100.00 at 1% interest for 3 years

$200.00 at 1% interest for 5 years

$200.00 at 3% interest for 5 years

$200.00 at 5% interest for 5 years

$200.00 at 8% interest for 5 years

$500.00 at 5% interest for 4 years

$500.00 at 8% interest for 20 years

Making Your Money Grow

Answer key

Using either the Compound Interest Table or a TVM calculator, solve the following. If applicable, show your work:

$100.00 at 1% interest for 3 years	Answer is $100.00 x 1.0303 = $103.03
$200.00 at 1% interest for 5 years	Answer is $200.00 x 1.0510 = $210.20
$200.00 at 3% interest for 5 years	Answer is $200.00 x 1.1593 = $231.86
$200.00 at 5% interest for 5 years	Answer is $200.00 x 1.2763 = $255.26
$200.00 at 8% interest for 5 years	Answer is $200.00 x 1.4693 = $293.86
$500.00 at 5% interest for 4 years	Answer is $500.00 x 1.2155 = $607.75
$500.00 at 8% interest for 20 years	Answer is $500.00 x 4.6610 = $2,330.50

The Rule of 72

"We're not getting anywhere!" groaned Yuki, looking at her group's Asset Chart. It was three days—or "years"—into the Great Investment Race.

"Sure we are," said Hector. "Our savings account is doing great. Just chugging along."

"Crawling along, you mean," said Joel. "We've made $95.51 in three years."

"Relax," said Maya. "It takes a little time, is all. You don't see amazing results right away in a savings account."

"Well then when?" demanded Yuki. "I want to at least double our money. When's that going to happen?"

"Wanna see a magic trick?" asked Hector. "I'll show you when our money will double."

"What magic trick?" asked Yuki.

"It's called the Rule of 72. You just take the number 72 and divide it by your interest rate. That tells you about how many years it is until the money doubles."

"No way," said Joel.

"Way."

"Any interest rate?"

"Yup."

"And always 72?"

"Yup."

"And it always works?"

"Pretty much."

"Prove it," said Yuki. "Work your magic. I want to see our money grow."

RULE OF 72:

$$\frac{72}{\text{interest rate}} = \text{approximate no. of years until money doubles}$$

Example: $100.00 dollars at 6%
72 / 6 = 12 years until money doubles

This works backwards, too. If you want to know what interest rate you need to double your investment in certain amount of time, simply reverse the equation:

$$\frac{72}{\text{years to double investment}} = \text{interest rate needed}$$

So, if Yuki, Joel, Hector and Maya want to double their investment of $500.00 in 10 years, they'd need to divide 72 by 10, to get 7.2%.

$$\frac{72}{10 \text{ years}} = 7.2\%$$

Practice:

1. You have $100.00 to invest right now. Using the Rule of 72, determine about how long it will take to double your money.

At 6% interest: _____

At 8% interest: _____

2. You have $200.00 and you'd like to double your investment in 7 years. What interest rate will you need to reach this goal?

_____

3. A credit card company offers a card with a 17% interest rate. If you charge $150.00 and don't plan to pay it off, about how long will it take your debt to double?

_____

The Rule of 72

Answer Key

1. You have $100.00 to invest right now. Using the Rule of 72, determine how long it will take to double your money.

   At 6% interest: 12 years

   At 8% interest: 9 years

2. You have $200.00, and you'd like to double your investment in 7 years. What interest rate will you need to reach this goal?

   10.3 %

3. A credit card company offers a card with a 17% interest rate. If you charge $150.00 and don't plan to pay it off, how long will it take your debt to double?

   About 4.2 years

Save Yourself

Name: _____ Date: _____

Savings accounts are typically the first type of account most students open. Make sure you're keeping on top of your investment by answering the following questions. *(Note: If you don't currently have a savings account, call a credit union or other local financial institution and find out what rates they're offering on savings accounts. Use this information to answer the questions.)*

1. Do you have a savings account? How long have you had it? _____

2. What interest rate is your savings account currently earning? _____

3. Say you have $500.00 in your savings account right now. What would your balance be after a year at the current interest rate? _____
   After 2 years? _____
   After 5 years? _____

4. Now say your interest rate was 2% higher than it currently is. Start with the same $500.00 initial deposit. What would your balance be after a year? _____
   After 2 years? _____
   After 5 years? _____

Risk vs. Return

"I've had it with the savings account," said Yuki after five days. "I want to make some serious money."

"Okay," said Maya. "It's time to invest."

"I thought that's what we were doing." Joel was puzzled.

"Well, yeah, a savings account is an investment. It's a safe one, because it has just a small amount of risk. It's really unlikely we'd lose any money in it. But is also has a small return. We're not making a heck of a lot."

"You can say that again," said Yuki. "Show me the money." She picked up a stock portfolio for an experimental drug company. "See this?" she said, pointing. "They've got this drug that will change your hair color naturally. No more dying! Just natural, beautiful highlights, every month. Let's get in on the ground floor."

"Hold it," said Maya. "I read about that. That might or might not get approved by the government. It's risky."

"Yeah, but if it takes off, it will make us a mint."

"We don't want that much risk," said Maya. She shoved over the power company prospectus. "Here. This is a good one."

"Bo-ring," said Yuki. "Look at the return on that. Unless something really changes for them that helps the company really boom, that's not a big moneymaker."

"But it also won't crash and burn… and take all our money with it," said Maya.

"I think it's safe to say that you two have different tolerance for risk," said Hector.

"Yeah, so what do we do now?" asked Joel. "Let them duke it out in the hallway?"

"Not yet," said Hector. "We can get a little of both and keep everybody happy. The secret is time. And diversification."

"Why?"

"The longer you hold any investment, the more likely it will pay off," said Hector. "Remember that story in the textbook? Even people who had General Electric stock in 1929, when the big stock market crash happened, still made money after 10 years. It's all about riding out your investments over time. And making sure you don't have all your eggs in one basket, so to speak."

"Speaking of time, let's quit wasting it," said Yuki. "I'm ready to invest."

Smart Investing:
Smart investing not only involves understanding your own tolerance for risk, but also making sure you have diversity among your investments.
Diversification:
A mixture of high- and low-risk investments in your portfolio will help reduce your risk of loss. Your high-earning investments, like stocks, may also carry greater possibility of loss. Including investments that are more stable will help ensure that you have some "safer" money to fall back on.

What does the concept of diversifying your investments mean to you?

_____

_____

_____

_____

_____

_____

_____

_____

_____

Your Risk Factor

Name: _____ Date: _____

If you ever seek advice from a professional financial planner, one of the first things you'll be asked is how you see your tolerance for risk. Knowing how much risk you're comfortable with will help you determine what type of investments to choose.

Describe your tolerance for risk when it comes to money. You can use an analogy of a famous character in a movie, book, TV show or play to describe how you feel about taking risks. Give three reasons that make your analogy true. Then, share your analogy with the class.

Example:
"When it comes to money, my tolerance for risk makes me like Indiana Jones, because I love excitement, I will work hard to chase potential rewards, but I also study where I'm going and know what to expect when I get there."

Fill in the following blank:
When it comes to money, my tolerance for risk makes me like _____, because:

1. _____

2. _____

3. _____

Investment Opportunities

As a class, discuss the question, "What are some types of investments you know about?" Student responses may include, but not be limited to, the following: stocks, bonds, mutual funds, CDs, savings accounts and collectibles (like antique cars or art), etc.

Assign groups to research and report on each type of investment. Their report should include an accurate and clear definition of the investment (how it works), its advantages and disadvantages, a general assessment of its risk, the length of time the investment should typically be held and some examples of the investment.

For resources, students can use the information provided, the Internet, financial magazines or newspapers, or by interviewing local financial institution employees. You can determine how you'd like them to cite their sources.

Groups can present this information in several ways: on a poster, as a pictograph, as a mock TV financial news report, on a brochure they create, etc.

Students should be able to use the information presented by each group as a reference guide. They can use the Investment Reference Chart to compile information about each type of investment. You can also use the chart as an assessment tool for each group's performance.

Investments: A Quick Reference

Stocks

A stock is a share in the ownership of a company. As a stockholder, you are a partial owner of a company and own a tiny fraction of every asset the company has. You also have a claim to your share of the company's earnings. The more stock you have, the greater your ownership in the company. So if you own 100 shares of Scoop It Up Ice Cream's stock and there are 10,000 shares outstanding, then you own 1% of the company.

Being an shareholder or stockholder doesn't mean you have a say in the daily operations of a company. That's left to the management team. But in holding stock, you can usually vote on the election of the company's board of directors and some other matters at annual meetings. The largest stockholders have the most influence.

Companies issue stock in order to raise money. Just about every company at one time or another needs to raise money in order to expand its business. Taking out a loan is one option to accomplish this, but that requires repayment. By issuing stock, a company receives money to invest in its own growth by giving up part ownership in the company. Investors take the risk that the growth will lead to higher earnings and in turn, a higher value for their stock.

Stockholders have limited liability. That means that as partial owners, stockholders are not personally responsible if the company does not pay its debts. If a company is sued, only its business assets are at risk, not the stockholders. Stockholders can lose only the maximum value of their investment even if a company files for bankruptcy.

People purchase stocks as investments with the hope that their shares of stock will one day be worth more than when they paid for them. Stocks historically have out-performed other investments. But there is no such thing as a perfect investment. Investing in stocks holds higher risk than some other kinds of investments, but also the possibility of higher returns.

Bonds

A bond is an investment instrument in which you are lending money to a government or company. In return, you can expect to retain your principle and earn interest over a pre-determined term. Like all investments, bonds do carry risk, but it is considered lower than the risk of investing in the stock market.

Mutual Funds

When you invest in a mutual fund, you are investing in a professionally-managed investment pool that can be made up of stocks, bonds or a combination of those and/or other investments.

Mutual funds are a way to receive instant diversification in your investments, because when you buy a share of a mutual fund, you become owner of a small part of all the assets in the fund. When you invest in a mutual fund, you are pooling your money along with other investors to buy shares in companies or buy bonds.

The funds have professional managers who choose how to invest the fund's assets according to the goals or objectives set out by the fund's prospectus. A prospectus is a document that outlines the fund's operating rules and goals for growth. Mutual funds are popular and offer several benefits including:

Diversification: One mutual fund can invest in many different assets. You might not have the money to invest in several stocks at one time. Having many investments is important because it reduces your risk of loss in the event of a downturn or problems in any one company or area of business.

Professional Management: Very few of us have the time, interest or knowledge to follow and track the performance of hundreds or thousands of companies. With investments in mutual funds, that work is left to the professionals.

As with stocks, there are no guarantees of return with mutual funds. Careful investors do their research to find mutual funds that are appropriate for their needs and risk tolerance. Things to keep in mind are performance, the cost of any fees associated with a mutual fund and its tax impacts.

Alternative Forms of Savings

U.S. Saving Bonds: The U.S. government sells saving bonds. One type is the EE series. These bonds are guaranteed by the federal government and can be purchased for as little as $25.00. The interest rate is usually higher than a savings account, but may take many years to reach the face value of the bond.

Certificate of Deposits (CD): A financial institution pays a fixed amount of interest on a fixed amount of money for a fixed amount of time.

Benefits to CDs are:
- No risk of losing your money
- A set expiration or maturity date that you can plan for
- Simplicity
- No fees
- Higher interest than a basic savings account

Drawbacks to CDs are:
- You are restricted from accessing your money until the CD matures
- There is a withdrawal penalty if you cash out the CD before the expiration date

Investment Reference Chart

Name: _____ Date: _____

Type of investment: _____

Group members: _____

In a group, research and report on one type of investment. Your report should include an accurate and clear definition of the investment (how it works), its advantages and disadvantages, a general assessment of its risk and some examples of the investment.

Type of Investment	Time Frame	Risk Factor	Rate of Return	Minimum Balance	Advantages	Disadvantages	Examples
Savings Account							
Certificate of Deposit							
Bonds							
Corportate							
Municipal							
Stocks							
Mutual Fund							

Starting Early

"This is pretty good information," said Hector, studying the investment information. "I might use it for some of my own investments."

"You have investments?" asked Yuki. "What are you, Donald Trump? You're only a kid."

"Yeah, but my dad showed me this chart he got at work. If you don't start saving and investing young, you have to put away a whole lot more money when you're older. So I'm trying to sock away just a little bit now. If my investments go well, I can retire at age 50 instead of 70."

"Yeah?" asked Joel. "But what will you do with all your spare time?"

Hector grinned. "Buy an NBA team. Travel the world in my private jet. You know, the usual."

"Great!" said Joel. "You do that. Then I'll tag along for the ride."

Hector laughed. "Like I said. The usual."

Ready... Set... Save

Right now, you're probably more concerned about what you're having for lunch than about what you'll do in retirement. But think about this for a moment: what would you rather be doing in 50 or 60 years: traveling and enjoying yourself or working long hours to bring in a monthly income so you don't fall into poverty? If the first scenario appeals to you more, you do need to think about starting to save for retirement early.

Read through the following chart, then answer the questions about why it pays to start saving for retirement early.

Age you started saving	Monthly contributions to retirement account needed (if earning 6%) to accumulate $200,000 by age 65
25	$100
35	$200
45	$425
55	$1,200

1. What happens to the amount you need to put away for retirement if you start saving later in life?

_____

_____

2. How much more per month does a 55-year-old need to put away in order end up with the same amount as someone who has been saving since 25?

_____

_____

_____

3. Why does it make sense to start saving for retirement early?

_____

_____

_____

Paying Yourself First

If "spend less than you earn, and put the rest into savings," is the golden rule of saving, then "pay yourself first" is platinum.

What does this mean?

Every month, people with an income need to pay their bills. People who don't pay themselves first go ahead and write checks to the dentist, the credit card company, the gas and power company, and so on. After that, they go about their daily life, shopping at the grocery store, going to the movies, buying books, etc. By month's end, they might find that their bank account is getting close to zero. They wait anxiously for their next paycheck to come in so that they can pay the new round of bills and start spending again. They may worry that they "don't have enough" to put into savings. Their savings never grow and their goals remain far in the future and out of reach.

People who "pay themselves first" put their goals first. When they sit down to pay bills each month, the first payment they make goes directly into savings. It's all a part of their larger financial plan. They've determined how much of their income they need to put away to reach their goals and they make sure they do it regularly. Their savings grow and they feel comfortable making and sticking to budgets, knowing that their goals are growing closer every day.

You may feel that you have no money to save. But even the smallest amounts, saved regularly, will add up over time as we have seen from looking at compound interest and investments.

If you give up just $5.00 a week on lattes or video games, you can put away $260.00 a year. Invested wisely, that $260.00 will grow over time to help you meet whatever financial goal you have set for yourself.

For most people, a reasonable goal is to save eight percent of their income after taxes. Using an eight percent savings rate as a guideline, if you get paid $200.00 a month from an after school job, you should pay yourself $16.00 ($200.00 x .08 = $16.00). Set that money aside and consider it "off limits."

Here are tips for saving money.

1. Have a concrete goal.
2. Be realistic about what you can save.
3. Stick to a set savings plan.
4. Make yourself wait a day to think over purchases.

If you have a job, you might be able to authorize your employer to take a set amount of money out of your paycheck and put it into your savings account.

From each of your paychecks or allowance, deposit a set dollar amount or a percentage of it into a savings account before using your money for anything else. Think of this money as off limits for spending now. You could save 5% or 10%, or you could save a set dollar amount such as $5.00, $10.00 or more. By paying yourself first, you can use savings as an investment and put your money to work for you.

Students who don't earn a paycheck often earn money in other ways. You may get an allowance. Relatives often give gifts of cash. Some students put their loose change into a jar at the end of each day. By the end of a month, there could be enough in the jar to deposit into a savings account.

No matter how small the amount, paying yourself first is the sure way to save and to help start making your money work for you.

Paying Yourself First:

What are some ways you save money?

_____

_____

_____

_____

_____

What could you do differently to save money?

_____

_____

_____

_____

_____

How much could you "pay yourself first" each month right now?

_____

_____

_____

_____

_____

The Winners

Objective:
To show students the connection between financial stability, long-term planning, reaching goals, values and personal satisfaction.

Ask students to read "The Winners" student handout. Then discuss:

What do you think defines personal success?

Ask for examples of what success means to students and what it looks like. Some may focus on being the best or winning. Others will talk more about achieving personal happiness, having enough, contributing to the world, or feeling secure. Accept all answers, but be sure to emphasize that success is defined differently by different people, and monetary wealth is not the only sign of a successful person. You might go back to the Values Pictograph the students made in Chapter Two and talk about how success, happiness and living by one's values are connected.

Then, have the students write "goal letters" to the person they think they will be in 10 years. Ask them to think about what goals they'd like to have achieved by then and what new ones they may be working on. Ask them to think of specific ways, financial and otherwise, they can set the groundwork now to successfully achieve those goals.

When students are finished, you have several options for what to do with the goal letters:

- Ask students to share them, then take them home to be kept in a safe place and opened in 10 years.
- Keep them yourself, if you believe you will have a good chance of mailing them to the students in 10 years.
- Find another safe place, such as the school library, where they can be kept and the students can return to find them in 10 years.

Whatever you do with the letters, the students will have had a chance to reflect on how investing in their future is more than monetary and how wealth can be more than financial.

The Winners

"What's up, Joel?" asked Yuki. "You're never early for class."

"I wanna find out if we won the big prize," said Joel. "Today's the day, right?"

"Come in," thundered Ms. Moruzzi, opening the door to the classroom. Students eagerly took their seats.

Ms. Moruzzi asked each team to report out on their 30-year earnings. Most teams had met their goals.

"Well done," said Ms. Moruzzi. "But I can see here that we do have a clear winner: one team certainly made the most money… and that is team D! Will Ben, Vathani, Melissa and David come to claim their prize?"

Joel slumped in his seat, and Maya, Yuki, and Hector looked at each other. "Oh, well," said Hector, shrugging.

"We missed it by $20.00" said Joel. "I can't believe it!"

"And the grand prize is…." Ms. Moruzzi took a large box from under her desk and handed it to the winning group. Vathani opened it and took out an envelope. Inside was a paper.

"A pizza and ice cream party for 30?" read Vathani, puzzled.

"That's right!" said Ms. Moruzzi, beaming. "It's a prize for all of you! Because the one thing you should know is that everyone who invested wisely is a winner in this scenario. Financial planning is about security. It's about the realization of dreams. It's not about who has the most money. If you reached your goals, you won."

"Hmm," said Hector. "Nice. Corny, but nice."

"It's time now to talk about what we've learned," said Ms. Moruzzi. "Get out a piece of paper for a quiz."

"But what about the pizza?" wailed Joel.

Ms. Moruzzi eyed him. "Delayed gratification, young man," she said. "Work today. Pay off tomorrow."

Joel pulled out a piece of paper."And you better believe I'll be paying myself first," he said.

For the first time, Ms. Moruzzi smiled. "You're learning. At last."

The Winners

Write a letter to yourself to be read in 10 years. Describe your goals, hopes and dreams for the person you'll be 10 years from now.

You can include:

- What type of education you'd like to have
- What your family situation will be
- What type of career you'd like to be in
- Where you might be living
- What you'll be doing with your spare time

Also include:

- What you're doing now, financially or otherwise, to reach the above goals.
- Some words of advice or encouragement to the person you'll be in 10 years.

Chapter Three Assessment

Name: _____ Date: _____

True or False

1. _____ A stock is a share in the ownership of a company.

2. _____ Compound interest means interest is paid on your original deposit plus any earned interest.

3. _____ Using the Rule of 72 at an interest rate of 4%, it would take 16 years for your money to double.

4. _____ Starting to invest regularly at an early age is a good idea.

5. _____ Savings accounts usually pay higher interest rates than Certificates of Deposit.

Multiple Choice

6. _____ "Pay Yourself First" means: **A:** Pay your credit card bill first each month. **B:** Pick up your paycheck as soon as it's ready. **C:** Put something into savings each month before you do other things. **D:** Carry enough cash to cover your expenses every day.

7. _____ The concept of diversification means: **A:** You have a mixture of higher risk and lower risk investments. **B:** You have a savings account, a checking account and an ATM card. **C:** You earn a minimum of 5% interest. **D:** You hold on to your investments for at least 10 years.

8. _____ Which of the following is not a good reason to save: **A:** For emergencies. **B:** For college. **C:** For expensive purchases. **D:** For a fast-food lunch.

9. _____ The total interest earned on $100.00 for two years at 4% compounded annually would be: **A:** $4.00 **B:** $4.04 **C:** $8.00 **D:** $8.16

10. ____ Which of the following is not a way to save money: **A:** Put aside a set part of your allowance each week. **B:** Put your change in a jar every day. **C:** Write yourself an IOU. **D:** Have your employer automatically deposit part of your paycheck into your savings account.

Short Answer

Describe some of the savings goals that a family of a newborn baby should be thinking about. Be mindful of short-term, medium-term and long-term goals.

_____

_____

_____

Chapter Three Assessment

Answer key

True or False

1. T
2. T
3. F
4. T
5. F

Multiple Choice

6. C
7. A
8. D
9. D
10. C

Short Answer

Answers will vary but may include: Saving for the baby's college fund; saving for emergencies; saving for family vacations; saving for a larger car; saving for retirement.

Chapter Four: Managing Your Money

Learning the financial basics is important for students to develop sound money management skills.

OBJECTIVES:

Students will learn:

- What to look for in a checking account
- "Too Good to Be True" deals
- How to compare car loans
- Credit card basics
- How to build a credit history
- The benefits and costs of credit
- Safe debt load and the 20-10 Rule
- To protect themselves from identity theft

EALRs

Reading

1.1 Use word recognition and word meaning skills to read and comprehend text
1.2 Build vocabulary through reading
1.3 Read fluently, adjusting reading for purpose and material
2.1 Comprehend important ideas and details
2.2 Expand comprehension by analyzing, interpreting, and synthesizing information and ideas
3.1 Read to learn new information
3.2 Read to perform a task
4.3 Develop interests and share reading experiences

Writing

1.1 Develop concept and design
1.2 Use style appropriate to the audience and purpose
1.3 Apply writing conventions
2.2 Write for different purposes

Communication

1.1 Focus attention
1.2 Listen and observe to gain and interpret information
1.3 Check for understanding by asking questions and paraphrasing
2.1 Communicate clearly to a range of audiences for different purposes
3.1 Use language to interact effectively and responsibly with others
3.3 See agreement and solutions through discussions
4.4 Analyze mass communication

Mathematics

1.1 Understand and apply concepts and procedures from a number sense
1.2 Understand and apply concepts and procedures from measurement
2.3 Construct solutions
3.1 Analyze information
3.2 Predict and make inferences
3.3 Draw conclusions and verify results
4.1 Gather information
4.2 Organize and interpret information
4.3 Represent and share information

Civics

2.1 Understand and explain the organization or U.S. government
2.2 Understand the function and effect of law

Economics

1.1 Comprehend key economic concepts and economic systems
1.3 Understand the monetary system of the U.S. and how individual's economic choices involve cost and consequences.

Chapter Four Overview: Managing Your Money

These activities are included in Chapter Four. They can be adapted as you see fit into individual, small-group or whole-class activities (the recommended grouping is in parentheses).

- Pre-Assessment: List-Group-Label (**small group**, share with **whole class**)
- Being a Smart Consumer (**individual**)
- Check Out Checking Accounts (**small group** or **individual**)
- Shop 'Til You Drop (**individual**)
- The Cost of Convenience (**individual** or **partner**)
- Choices, Choices (**individual** or **partner**)
- Credit Card Basics (**individual**)
- Credit Interviews (**individual**)
- Credit Analogies (**individual** or **partner**)
- A Safe Debt Load and the 20-10 Rule (**individual**)
- Identity Theft Crimestoppers (**small group**)
- Assessment (**individual**)

CHAPTER FOUR TERMS:
Students should add these terms to their Visual Dictionary (see introduction for instructions) as they arise:

- APR
- Three C's of Credit: character, capital, capacity
- Safe debt load
- 20-10 Rule

Pre-Assessment: List-Group-Label

Objective:
To encourage students to think about money management strategies they already use; to assess what students need to learn about money management.

Assess what students already know about money management by doing a LIST-GROUP-LABEL activity as presented in Chapter Three.

This activity can be done as a whole class or in a small group.

Ask "What does managing your money mean to you?" Students should write down everything they know about money management—any words that come to mind, positive or negative. They should also try to generate some examples of money management strategies.

Once they have this list, students should try to group terms into categories that make sense to them, then assign a label to each category. They may come up with labels like, "Budgeting," "Staying out of debt," "Saving," etc.

Display the students' lists around the classroom and ask what similarities and differences they see about money management.

Discussion Guide:
Ask students:

- What kinds of things do people do to manage their money?
- Is debt always a bad thing?
- What are some consequences of not managing your money?
- Have you ever made a money management mistake? What was it and how did you correct it?

Being a Smart Consumer

Name: _____ Date: _____

Joel, Maya, Hector and Yuki were on their way to the movies.

"Hold on!" said Joel as Hector drove past the bank. "I gotta go by the ATM. I don't have cash."

"What a shock," said Maya.

Hector pulled over. "Hey, it's better than lending him the money again."

Joel leaped out. He was back in a minute.

"Let's go!" he said. "I'm loaded."

"How much did you get?" demanded Yuki. "Enough for popcorn, too?"

"Don't worry about me," said Joel. "I got twenty bucks of my very own to cover me tonight. And then, if we go for pizza after, we can stop at that ATM in the theater for more."

"I hate that ATM," said Maya. "It charges a $2.50 fee for every withdrawal. And was that your bank we just stopped at?"

"No," said Joel.

"Then you probably just paid at least another $1.50 to get your $20.00," said Maya. "You're giving away a nice little gift to two different banks. Why didn't you get more money when we stopped?"

"I'm trying not to overspend," said Joel with dignity.

Yuki slapped her forehead. "What would you call paying a $4.00 fee to use your own money?"

"All right, fine," said Joel. "I've got this credit card my dad gave me for emergencies. Do you think this constitutes an emergency? A sudden, uncontrollable desire for anchovy and olives at 11 pm?"

Yuki and Maya both groaned.

Hector pulled into the movie parking lot. "Give him a break," he said to Maya and Yuki. "At least you're not buying his ticket."

Joel smirked at them as he leaped out of the car. "Baby steps, girls," he said. "Baby steps."

What fees do you pay regularly?

_____

_____

_____

_____

_____

_____

_____

_____

What could Joel do differently to manage his money better?

_____

_____

_____

_____

_____

_____

_____

_____

Know Your Financial Institution

Like any other service you might use, seeking financial services can cost you money. When you are looking for a checking or savings account, make sure you read up on withdrawal fees for using the ATM, overdraft fees, minimum balance requirements, or other fees you may incur. Often, institutions such as credit unions will not charge you to use their ATMs. However, when you use the ATM of another institution, you may be charged a fee.

If the fee for using an ATM is $1.50, and you withdraw money twice a week, the charges will add up to $156.00 a year. Think what that $156.00 could be earning if you invested it at a 5% interest rate. If you invested that $156.00 every year at a 5% interest rate, at the end of five years, you'd have $819.00.

Call a local bank or credit union and investigate their checking account options. Pay close attention to the following features:

Fees and charges:
The monthly fees, per-check charge, printing of checks, balance inquiry fees, ATM fees, bounced check charge, availability of a debit card, and fees for falling below a required balance.

Interest:
The rate earned, how rates are calculated.

Features:
How soon you can draw against a deposit as well as, direct deposit, automatic payment, overdraft protection, online banking, discount and free features.

Location:
The number of branches, hours of operation and availability of ATMs. This impacts the fees you will pay. Typically a credit union will not charge a withdrawal fee from an ATM from its own members. If your institution doesn't have a lot of branches, you may be stuck with other ATMs and their fees.

Debit card:
A bank card that is linked to your checking account. This allows funds to be withdrawn at the ATM or retail stores that accept Visa® without writing a check. Payment is completed by signing a receipt or by entering a PIN (Personal Identification Number). A debit card allows you to pay for purchases directly via your checking account. Debit cards offer lots of flexibility. You need to be careful, however, that you have the money to cover your purchases. A debit card is not a credit card. Write down when you use it.

Check Out Checking Accounts

Objective:
To help students become smarter consumers by comparing the services and fees available at different financial institutions.

Ask students to compare checking accounts and services at different financial institutions. You can do this by assigning students to call different banks or credit unions, then comparing them in small groups. Within the group, the students can then write a summary of what they learned about the different accounts available.

Alternatively, you can have each student call several different banks or credit unions and compare their own findings.

Check Out Checking Accounts

Name: _____ Date: _____

Choosing a Checking Account:

For most people, the checking account is the workhorse of their money management system. If you don't have a checking account now, you will probably have one as soon as you leave high school. This is the account that allows you to write checks, use a debit card, make ATM withdrawals and generally manage the money you spend on a day-to-day basis.

Call a financial institution in your area and find out what options and fees their checking accounts offer. Compare your findings to your classmates to get an idea of the range of checking accounts available to you.

Name of Financial Inst.

Number of branches: _____

Branch nearest you: _____

Branch nearest school/job: _____

Number of ATMs: _____

Hours open: _____

Funds insured: _____

Type of account: _____

Fees

Minimum daily balance: _____

Average daily balance: _____

Maintenance charges (withdrawals, etc): _____

Printing checks: _____

Overdraft fee: _____

Stop payment: _____

Debit card usage: _____

Other: _____

Interest

Interest rate you earn: _____

How is it calculated: _____

Withdrawal at

Teller window: _____

Financial Institution-owned ATMs: _____

Regional network ATMs: _____

National network ATMs: _____

International ATMs: _____

Noteworthy options: _____

Balancing Your Checkbook and Squaring Up

Objective:
To give students practice filling out a check register, sample checks and deposit slips.

Among the first financial skills students will need include balancing their checkbooks and keeping track of their bank balances.

Ask students to use the sample checks and deposit slips (Appendix) to make the payments required in "Balancing Your Checkbook." They should record all the listed transactions in the check register (Appendix).

Use the completed check register to do the "Squaring Up" checking account reconciliation activity.

Balancing Your Checkbook

Anyone who has a backyard knows that regular maintenance comes with the territory. The same is true for checking accounts.

Part of managing your checking account is reconciling what your financial institution tells you you've spent each month with your own records, usually your check register. This is called balancing your checkbook.

The purpose of balancing your checkbook is to make sure you and the credit union or bank agree on how much you've spent and what you still have in your account. That way, you can avoid having a check returned for non-sufficient funds (NSF)…more commonly known as an NSF check.

Financial institutions and merchants both charge fees on returned checks. These fees can range from $15.00 to $50.00 or even higher, depending on the merchant. For this reason, you should keep track of your spending and make sure you always know how much money you have in your account.

There are several different ways to balance your checkbook. Many financial institutions have online banking where you can check your account balance and see a record of recent transactions. Sometimes these services are also available by calling a phone number given to you by your financial institution.

Each month, financial institutions are required to send you an account statement, or record of your transactions. Use your check register — where you've kept your own personal spending record — to compare your records with the credit union's or bank's.

Using Your Check Register

Use the check register provided (Appendix) to record your spending for the month of February.

Practice filling out the sample checks and deposit slips in the Appendix as you record your spending.

1. You have a checking account with a balance of $250.00 Enter this amount in your check register. This amount goes in the top right corner of the check register under "balance."

2. On February 6, you write a check for new stereo speakers to Xenon Hi-Fi for $100.00.

3. On February 12, you are issued your paycheck for $165.48. You also get a birthday check from your grandfather for $25.00 and $15.00 in cash from Aunt Carolyn.

4. On February 16, you go on a ski weekend. You use your debit card at TGIF Ski Weekends to cover the cost of your room at the Glacier Lodge for $60.78 and your lift tickets and equipment rental for $42.97. Even though you used your debit card, don't forget to record these expenses in your check register.

5. On February 22, you receive another paycheck for $165.48. You put the check in your account, but you only deposit $40.00. You ask for the rest in cash (you can do this because you have enough money in your account to cover the amount of the check until it has cleared.)

6. On February 26, you write a check to the Girl Scouts of America for five boxes of cookies. The total comes to $22.78.

7. On February 28, you write a check to the Computer Gamers Association for your annual membership of $35.00.

8. On February 28, your Uncle Max sends you a belated birthday gift of $20.00, which you deposit in your checking account.

Using Your Check Register

Answer key

Balance		
		$250.00
2/6	Xenon Hi-Fi	-100.00
		150.00
2/12	Paycheck deposit	+165.48
		315.48
2/12	Deposit birthday money	+ 40.00
		355.48
2/16	TGIF Ski Weekends	- 60.78
2/16	TGIF Ski Weekends	- 42.97
		251.73
2/22	Deposit	+40.00
		291.73
2/26	Girl Scouts of America	- 22.78
		268.95
2/28	Computer Gamers Association	- 35.00
		233.95
2/28	Deposit	+20.00
Ending balance		**$253.95**

Use this completed check register to do the account reconciliation activity.

Squaring Up

Follow the directions below to reconcile your statement with your check register (use your register from the previous assignment).

1. Look on the account statement and see if the credit union paid you any dividends or charged you any fees (service or check charges). Enter these in your check register and check them off in the appropriate column.

2. The checks listed on the account statement have cleared the credit union. Check them off in the check register.

3. The deposits listed on the account statement have cleared the credit union. Check them off in the check register.

4. The basic rule is that anything not checked off goes on the reconciliation form since it has not cleared the credit union. The starting point on the reconciliation form is the ending account balance. Write the ending account balance from the account statement in the blank that says "Account balance shown on this statement."

5. List all of the checks you have written that are not checked off in your check register on the reconciliation form in the blank for outstanding checks. Also list any outstanding debit card transactions.

6. List all the deposits you made that are not checked off in your check register on the reconciliation form in the "add (deposits not credited)" section.

7. On the reconciliation form, add the outstanding deposits to the ending balance. This is your new account total.

8. Next, subtract the outstanding checks from your new total.

9. The number you get should be the same as your balance total in your check register. If they are different, either you or the credit union made a mistake (most often it's the member's error; but sometimes not. It pays to check.) Check your own math before contacting the institution about any potential errors.

Squaring Up: Account Statement

Community
CREDIT UNION

Closing balance 291.73

Closing date 2/28

Previous balance 250.00

Total checks or debits: $203.75

Total deposits: $245.48

Checks/debits

Date	Check #	Amount
2/6		100.00
2/16	Debit	60.78
	Debit	42.97

Deposits

2/12	165.48
2/12	40.00
2/22	40.00

Reconciliation form

Account balance shown on this statement	
Add (deposits not credited)	
Total	
Subtract (checks outstanding and/or outstanding debit card transactions)	
Balance	

Squaring Up

Answer key

Reconciliation form

Account balance shown on this statement	$291.73
Add (deposits not credited)	$20.00
Total	$311.73
Subtract (checks outstanding and/or outstanding debit card transactions)	$57.78 (22.78 + 35.00)
Balance	$253.95

The Fine Print

Everyday we're flooded with advertising for financial institutions, credit cards, auto dealers that will finance our new cars… there are all kinds of options available for getting loans and managing money.

But remember that credit card companies are businesses and they need to protect their own assets. They also want to make money. So do car salespeople and electronic equipment stores.

Financial institutions are good places to keep your money, but you should be aware of what fees they are charging for their services. One checking account may be better than another when you look at service charges.

Any time you finance a large purchase, sign up for a credit card, take out a loan, start a checking account, or do any type of long-term financing, it pays to be educated about the process. That means reading the fine print, understanding the real terms of the deal, and shopping for the best terms.

If you are willing and realistically able to follow the terms, you and your money will be fine. However, many people run into trouble by not keeping track of their money and not reading the fine print. Then they are surprised by a $20.00 overdraft fee when they bounce a check. Or they find out that that the 0% intro rate turns into 24% after three months.

Shop 'Til You Drop

Name: _____ Date: _____

You don't actually have to drop but it pays to look around for the best deal when you are financing a larger project. When buying a car, a house or even a big-screen TV, many people don't pay full price up front. Instead, they finance the item, which means that they work through a lender on a plan to pay the full price over time. This is worth it when you're buying something big you wouldn't be able to buy otherwise… like a house or car. It can be very helpful in buying furniture, large appliances or electronic equipment—if you are vigilant about the terms you accept and you look around for the best deals. Compare the two offers on a new car below:

Car A	**Car B**
Cost: $22,000	Cost: $24,000
6.5% financing for 60 months	3.9% financing for 30 months
$485.83 monthly payment	$878.00 monthly payment
$29,150 total payment	$26,340 total payment
$7,150 finance charge	$2,340 finance charge

What did you notice about the two cars' total payments?

_____

_____

_____

What did you notice about the monthly payments?

_____

_____

_____

What did you notice about the finance charges?

_____

_____

_____

What are the advantages and disadvantages of each deal?

_____

_____

_____

Shop 'Til You Drop

Discussion guide for car comparison questions:

The goal of this comparison is have students think critically and realistically about the terms of this car financing deal. Their answers to the questions may vary from those provided. You might want to discuss this comparison with the entire class.

Car A	**Car B**
Cost: $22,000	Cost: $24,000
6.5% financing for 60 months	3.9% financing for 30 months
$485.83 monthly payment	$878.00 monthly payment
$29,150 total payment	$26,340 total payment
$7,150 finance charge	$2,340 finance charge

What did you notice about the two cars' total payments?
Car A ended up with a higher total even though Car B cost more initially.

What did you notice about the monthly payments?
Car A's are spread out over 60 months and are substantially less than Car B's.

What did you notice about the finance charges?
Car A had a higher finance charge.

What are the advantages and disadvantages of each deal?
Car A gives you a more manageable monthly payment. However, it has a much higher interest rate, higher finance charge and higher total cost than Car B.

The Cost of Convenience

Objective:
To help students become aware of the true costs of fast-cash loans.

Payday loans, rapid-refund loans and other fast-cash outlets are everywhere. According to the Washington State Department of Financial Institutions, over 3.2 million payday loans were made in Washington in 2009.

Some consumer groups accuse these types of outlets of targeting lower-income consumers. Students need to be aware of the true costs of fast cash. According to Washington law, a payday loan cannot exceed $700.00, with a $15.00 fee charged per each $100.00 borrowed.

That maximum fee charged in Washington is equal to an APR of 391%. Ask students to research payday loans and make notes about this particular product, its benefits and drawbacks.

The Cost of Convenience

Ever seen a TV commercial for a payday loan outlet? These money lenders might offer to give an advance on future paychecks, and they generally show smiling people who are happy to have the ready cash.

In reality, payday loan places often charge exorbitant fees for the use of their services, which is, obviously, how they make a profit. In Washington state, you can borrow up to $700.00 on a payday loan. A lender can charge a fee of $15.00 on every $100.00 you borrow. That is equal to paying an APR (Annual Percentage Rate) of 391%!

Lenders make it easy to extend a loan period, or to take out second and third loans. Unfortunately, people who regularly use such outfits find themselves losing money at an accelerated rate. If they are using the payday loan money to pay off other creditors, say a credit card company, they can get into deep financial trouble.

Also, beware of rapid-refund tax services. These services will give you a loan based on your expected tax return. However, they can also charge high fees, sometimes with an interest rate as high as 120%.

Getting an advance or a loan from an outlet like these is convenient. On face value, a fee of $50.00 or so may not seem like much when you're borrowing $375.00. However, if you consider that you are paying quite a bit of extra money for the early use of your own money, you may decide that the costs of payday or other fast-cash loans often outweighs the convenience factor.

However, a few credit unions and banks offer short-term loans at reasonable rates. Be sure you shop carefully before you use one of these "convenience" services.

Choices, Choices

Objectives:
To help students develop alternatives to high-cost fast-cash loans; to help them think about strategies that will prevent financial crisis.

Many people turn to payday advances or rapid-refund loans out of desperation or need for fast cash. This activity asks students to think about what options are available to them when they are in need of money.

When introducing and discussing this activity, don't forget to highlight *prevention* as a money management strategy. Emergencies can happen to all of us, but if we've set aside money to help us cope with them, we can offset the impact of a financial crisis.

After students come up with several alternatives to fast-cash loans, ask them to share their options in class.

Discussion Guide:
What have you learned about fast-cash loans?
What are some better options than obtaining fast-cash loans when you need money?
What can you do to prevent a financial emergency?

Choices, Choices

Many people turn to fast-cash loans like payday check advances or rapid tax refund loans out of a feeling of financial desperation. You can offset this feeling of desperation by thinking about all your options in case you need cash.

Say your car has broken down and you need some cash for the repairs. Think about each option available to you, then evaluate the benefits and costs of each choice. Option 1 has been done for you. Options 5 and 6 are for your own ideas.

	Benefits	Costs
Option 1: Get a cash advance on my next paycheck	Fast cash	Have to pay steep finance charge; will end up paying $150.00 more than original bill
Option 2: Borrow money from my parents		
Option 3: Plan for financial emergencies by putting aside money each month		
Option 4: Put the bill on a low-interest credit card, then make a plan to pay it back next month		
Option 5:		
Option 6:		

What is a Credit Union?

Credit unions are not-for-profit financial cooperatives owned by their members. They offer most financial services that are found at banks and other financial institutions. Funds deposited in a credit union are usually federally insured up to $250,000.

Membership eligibility in a credit union is determined by your affiliation with a particular group. Sometimes that is a narrow group such as employees of a particular employer or industry. Other times, membership is open to anyone living or working within a region such as a county or even an entire state.

Credit unions are overseen by a volunteer board of directors and earnings are returned to members in the form of lower rates on loans and higher rates on savings or by offering low or no-cost financial services. As soon as you join a credit union, you become an owner.

The credit union philosophy is "Not for profit, not for charity, but for service." Credit unions earn very high ratings from their members in the areas of loyalty and trustworthiness.

Credit Card Basics

Name: _____ Date: _____

The movie was over, and Maya, Joel, Hector and Yuki headed out of the theater. At the front of the lobby was a table with a large banner that read BE CITY SMART: GET CITYCARD. Underneath, in smaller letters, it read, "Free movie tickets with your application!"

"Free movie tickets! Sweet!" shouted Yuki, seizing a brochure. She started filling it out.

"I've got news for you," said Maya. "You'll never get approved. You're a kid. You have no credit history. You'll have to take that card out in your parents' name."

Yuki crumpled up the application. "They just let my sister get a card because she went to college. I don't have a chance of them letting me have one until then."

"That's so unfair," said Joel. "Why would they put this table here in the movies where tons of teenagers are if the company won't even let us get a card? Much less our parents?"

"Because the college students come here all the time, too," said Hector.

"Yeah, my sister still gets mail at our house," interrupted Yuki, "and credit card companies send her applications all the time. Some times she gets five a day."

"So how come she just has one?" asked Joel.

"It's like yours, Joel," said Yuki. "It's really on my parents' account. She's establishing a credit history."

"I hate my parents looking over my shoulder all the time," said Joel. "I'm getting my own card when I'm 18. And a debit card."

"A what?" asked Yuki.

"You know, a debit card. It works like a credit card, except the payment comes out of your checking account right away instead of you paying the bill at the end of the month."

"If you want either one of those, you better not run up the bill on your dad's card," said Maya. "To get your own card, you need a decent credit history. Which means paying off your own bills."

"So what you're really saying," said Joel, "Is that you don't want me to use this ATM because it charges $2.50 to get my own money, and you don't want me to use my credit card to buy pizza. You know what this means."

"What?" asked Yuki.

"I'm gonna need one of you to lend me five bucks."

Have you thought about getting a credit card? Why or why not?

_____

_____

_____

What's the difference between a credit card and a debit card?

_____

_____

_____

What would be the advantages of having a credit card? What would be the disadvantages?

_____

_____

_____

How would you keep track of purchases you made on a debit card?

_____

_____

_____

Building a Credit History

It seems like just about everyone has a credit card. Or two. Or five. Or more. You probably will have a few credit cards in your adult lifetime, which can be very helpful in establishing you as a trustworthy person when it comes time for you to make a big purchase, like a house or car.

But credit card companies and other lending institutions want customers who they know will pay their bills. How do you establish yourself as one of those people who's worthy of their loans?

- Establish a steady work record and don't move around too much.
- Pay your bills promptly.
- Open a checking and savings account and don't overdraw them.
- Apply for a local store credit card and make regular monthly payments.
- Get a co-signer for a first loan and pay back the loan as agreed.

The Downside of Credit

Using credit for some purchases makes sense. Credit card companies want young people as their customers because they want to nurture long-time clients. And getting a credit card that you use responsibly will help you establish your credit history so that down the road when you're ready for a really major purchase, like a house, you'll have a record of being a borrower who lenders can trust.

But be aware that young people may be inexperienced in sticking with a financial plan and can therefore be more likely to carry a balance rather than paying off their debt every month. That little piece of plastic can feel like free money. But it's not. It's money you owe. If you don't have a plan for paying off your balance, you can get into serious financial trouble.

When you carry a balance, the credit card company collects fees on your balance through the APR (Annual Percentage Rate – the rate you'd pay over a year's time). It costs money to borrow money.

On average, students have 4.6 credit cards, and half of college students had four or more cards. The average balance is $3,173.00. (Source: How Undergraduate Students Use Credit Cards: Sallie Mae's National Study of Usage Rates and Trends, 2009). To a young adult on a tight budget, this balance would be difficult to pay off and the temptation to keep "charging it" is tremendous.

Using a $2,000.00 Visa balance at 9.9% interest as an example, if you were to make only the minimum required payment each month ($50.00), it will take you approximately 90 months to pay off the debt. That's a long time!

Always try to make more than the minimum payment so that you get out of debt sooner.

Debit Cards

Financial experts predict that some day, checks will be a thing of the past. Debit cards work like checks, but they work immediately. Rather than waiting for your check to be processed, sometimes by multiple banks, you can make a purchase and have the money immediately transferred out of your bank account to wherever you're making a payment.

Debit cards are incredibly quick and convenient—if you keep track of your spending. Imagine this: you go on errands and visit five different places where you make payments. If you use your debit card and don't write down the amounts you've paid out, you can lose track of the balance in your checking account. That can lead you to come up short by the end of the month.

When using a debit card, you should write down all your purchases just as you would when writing checks.

Credit Reports:

You thought you'd be done with report cards after you were done with school… but there is another type of report card that follows most adults through their financial lifetime. That report card is called a credit report, and it is basically an accounting of how responsible an individual has been in using credit.

For example, if you don't pay a bill within 30 days, a lender may report you as delinquent to a credit reporting agency. This agency will assign you a credit rating based on how many delinquent payments you have in your file, the types of credit you've had in the past and basically your record as a good financial citizen. Future creditors can use this information to decide whether or not they will give you a loan, or how much they're willing to risk lending you, which can affect your credit card limit or your ability to get a car loan, among other things.

With a good credit rating you'll be in great shape if you ever want a loan to start a business, build a house, or finance your first independent feature film. However, if you seriously damage your credit rating, you may find yourself unable to borrow money at all. And your credit history stays with you—it can take up to 10 years to clear a bad credit rating.

The Three C's Of Credit:

In general, potential lenders look for three things when deciding to extend credit:

Character: Are you the kind of person who can be counted on to repay debts on time? Lenders will look at your credit report, and they also may call for references, like a boss, who can vouch for your responsibility. They may want to know how long you've lived at one address or held one job. All these things help them to paint a picture of how stable your finances are and the likelihood that you'll pay them back.

Capital: In the event that you don't pay back the debt, do you own something else that the lender can collect instead, like real estate, savings, investments, etc.? You may have heard the term "collateral" in the past. In this context, it means that you have substantial enough assets to assure your lender that they can recoup their costs if you don't pay them back.

Capacity: Can you repay the debt? Lenders will want to know what your income is and how steady it is. They'll also look at the other types of debt you have. If your debt load looks too burdensome for your income, they may choose not to extend credit.

There are three types of credit:

Non-installment credit means that you've received a good or service which you will pay in full at a set time after the purchase. For example, when you visit the doctor, the office may mail you a bill to be paid within 30 days. A plumber or electrician may extend you the same courtesy. Interest is typically not charged.

Regular installment credit means that you will pay for your purchase in two or more regularly scheduled payments of a set amount. Interest will be charged. This type of credit is typically used when buying a car or large appliance. The car dealership or retail outlet will sometimes help you arrange this type of credit through a financial lender they partner with, or you can arrange for your own credit through a bank, credit union, or consumer finance company.

Revolving credit is the type used for credit cards. This type of credit means that the lender issues you a set dollar limit to your credit, which you pay back over regular time intervals. Typically, you are required to make a regular minimum payment, and interest is charged on the balance. You can get revolving credit through a financial institution or department store that offers credit cards.

Building a Credit History

Name: _____ Date: _____

What are you currently doing that will help build your credit history?

_____

_____

_____

_____

At this time, how would you assess your character, capital, and capacity to repay debt?

_____

_____

_____

_____

How do you see this changing in five years?

_____

_____

_____

_____

In 10 years?

_____

_____

_____

_____

In 20 years?

_____

_____

_____

_____

Credit Paperwork

Objective:
To familiarize students with the type of information required on a credit card application.

Ask students to fill the sample Visa application out as best as they can, then answer the questions about credit paperwork.

Credit Paperwork

Fill out the paperwork for a Visa® application.

What kind of information does a lender require when you're applying for credit?

What parts of the application were easy to fill out?

Which parts were harder? Why?

Which questions surprised you? Why?

Washington State Employees Credit Union
P.O. Box WSECU
Olympia, WA 98507
(800) 562-0999

WSECU

***VISA* APPLICATION**

SAMPLE APPLICATION

Credit Card Account: ☐ Individual ☐ Joint ☐ New Credit Card Account ☐ Adding Authorized Signer
Account Type: ☐ Platinum Rewards ☐ Gold Rewards ☐ Student Rewards
☐ Gold Rebate ☐ Classic ☐ Secured Classic

Number of Cards _____ Visa Account Number _____

If you have applied for a Credit Card and you wish to have two (2) cards issued, you must check one of the following:

☐ Please issue the 2nd card (with the same account number as mine) in the name of the co-applicant who completed and signed this application.
☐ Please issue the 2nd card to my authorized signer as follows:

APPLICANT
Complete only "Applicant" section if you are requesting an Individual Loan Account and not relying on another's income or assets to repay the debt.

APPLICANT NAME		WSECU MEMBER #	
DATE OF BIRTH	SOCIAL SECURITY #	AGE OF DEPENDENTS	
ADDRESS		DAY PHONE	EVENING PHONE
EMPLOYER		MO/YR HIRED	GROSS MONTHLY INCOME* $

CO-APPLICANT
Complete "Co-Applicant" section for one of the following reasons: 1. Applying for joint credit, 2. If your spouse will use or be liable for the account, 3. You will rely on your spouse's income to pay the loan, or 4. If you reside or the collateral offered is located in a community property state. Community property states include: AK, AZ, CA, ID, NM, NV, TX, WA, and WI.

CO-APPLICANT NAME	DATE OF BIRTH	SOCIAL SECURITY #	DAY PHONE
EMPLOYER		MO/YR HIRED	GROSS MONTHLY INCOME* $

**Alimony, child support, or separate maintenance income need not be revealed if you do not wish to have it considered as a basis for repaying this obligation.*

FINANCIAL INFORMATION

HOME/RENT PAYMENT	ALIMONY/CHILD SUPPORT PAYMENTS
$	$

By signing below, you certify that this request is submitted for the purpose of obtaining credit and you agree (a) that the Credit Union can use credit reporting agencies to verify information about you; (b) that the Credit Union can tell others about its credit experience with you and receive information from others about your credit history and performance. You will receive a disclosure of credit card terms and fees on a separate form. By signing below, you acknowledge receipt of a copy of the credit card disclosures and Fair Credit Billing notice and agree to the terms and conditions of the Visa Credit Card Account Agreement which will accompany any card(s) issued to you.
We may report information about your account to credit bureaus. Late payments, missed payments, or other defaults on your account may be reflected in your credit report.
If you purchase voluntary credit insurance or other products in connection with this loan, you understand that a portion of the premium or fee you pay will be retained by the credit union (or paid back to the credit union by the service provider) as compensation for making these services available to you.

SIGNATURE OF APPLICANT	DATE	SIGNATURE OF CO-APPLICANT	DATE
X		X	

INSURANCE INFORMATION

Credit Life and Credit Disability Insurance is available to protect your loan. Credit Life Insurance can reduce or pay off your loan if you die. Credit Disability Insurance can help make your loan payments if you should become disabled and unable to work.

☐ I am interested in applying for the insurance coverage(s) checked below. I understand that this is not an application for insurance. This insurance is voluntary and is not a condition for approval of my loan or credit plan. I understand that the cost will be disclosed on my Truth-in-Lending Disclosure Statement. Insurance coverage will become effective after I apply and meet the eligibility requirements of the group policies when my loan or credit plan is approved.

☐ I would like information on the insurance coverage(s) checked below.

☐ Single Credit Life ☐ Joint Credit Life ☐ Credit Disability

Credit Interviews

Objective:
To encourage students to find financial role models, or to gather advice from experienced adults on handling credit and debt.

You can start with the logical suggestion that students interview parents or guardians; this might be a great opportunity to learn from their parents' strategies and even their mistakes. However, other adults can be interviewed as well, including willing teachers, friends' parents or any other financially experienced adult who serves in a mentoring capacity in the student's life.

Credit Interviews

Name: _____ Date: _____

Find out how an adult in your life uses credit. To protect his/her privacy, don't use his/her name or relationship to you.

Interview questions:

1. What types of credit are you currently using (non-installment, regular installment, revolving)?
2. What do you use these types of credit for?
3. Do you carry a balance on your credit cards? Why or why not?
4. What plans do you have for paying off your balance?
5. What types of debt do you have?
6. What is your plan to pay off your debt?
7. What advice would you give to a younger person about credit and debt?
8. Have you ever made a mistake regarding credit or debt? What did you do about it, and what would you do differently next time?
9. Other:

What did you learn from the person you interviewed about managing credit and debt?

_____

_____

Share your most interesting fact or best strategy in class. Write down three things you learn from other classmates' presentations:

1. _____

_____

_____

2. _____

_____

_____

3. _____

_____

_____

Credit Analogies

Objective:
To help students understand that credit can be a useful tool, but it also has a downside when used irresponsibly.

Discuss the benefits and the costs of having credit.

Ask:
What are the benefits of credit?
What are the costs of credit?

Students may come up with the following benefits:

- Access to cash in an emergency.
- The ability to use it now. Credit allows you to own or benefit from the use of large purchases. Without credit, most people would probably not be able to buy a home or even a new car.
- Safety and convenience. You can avoid carrying a large amount of cash. When you are traveling, it comes in handy, and you can make purchases over the phone and online.
- Extras. You can earn extra bonus miles or points on purchases or receive cash back periodically.

They may come up with the following costs:

- Fees, hidden or up front, that you are expected to pay on top of your original purchase amount.
- The danger of charging more than you can realistically pay off, thereby being forever in debt or possibly bankrupt.
- Ruining your credit rating.

Following this discussion, ask students to create an analogy that reflects their understanding of credit.

For example, a student might say that credit is like a pit bull. When you spend time on training and discipline, the pit bull can be your friend and helper. But when mistreated, the pit bull can turn on you.

Once the student has constructed this analogy, he/she must write three reasons supporting it, and draw a picture that illustrates it. Ask students to share their analogies and display them in the classroom.

A Safe Debt Load and the 20-10 Rule

Name: _____ Date: _____

How much debt is too much?
When you're making that first big paycheck, it may seem reasonable to spend half on monthly payments toward new furniture or a large screen TV. If you're like most first-time salary earners, you've never seen a check that big with your name on it.

But it's useful to remember the 20-10 Rule to avoid getting in over your head:

Never borrow more than 20% of your yearly net income.

Monthly payments should not exceed 10% of your monthly net income.

This means that if you earn $400.00 a month, your yearly income is $400.00 x 12 = $4,800.00. Calculate 20% of $4,800.00 to find your safe debt load: $4,800.00 x .20 = $960.00

To figure out what your limit on monthly payments should be, calculate 10% of your monthly income of $400.00:

$400.00 x .10 = $40.00

You should never have more that $980.00 of debt outstanding, and your total monthly payments should not exceed $40.00.

Housing debt should not be counted as part of the 20-10 Rule, but debt on cars, student loans, and credit cards should be.

Safe Debt Load Exercises:

DIRECTIONS: Read each of the following scenarios and use the 20-10 Rule to determine the largest amount of debt each person can safely carry.

Write your answers in the blanks provided and show how you reached your answer.

1. David has a monthly net income of $1,360.00. His fixed monthly expenses consist of a rent payment of $450.00. He is paying off a student loan of $116.00 per month. David would like to buy a new television set using a credit card. What is the largest monthly payment David can afford for the television set so that his credit card payments and student loan keep him from exceeding the 10% payment guideline?

_____

_____

_____

2. Marsha and Michael have a combined monthly net income of $3,500.00. Their fixed monthly expenses consist of $675.00 for rent. They also have a student loan balance of $6,000.00 and a balance of $1,000.00 for the stereo they bought last month. How much debt can they take on and still be within a safe debt load?

_____

_____

_____

3. Juanita has a monthly net income of $2,500.00. Her fixed monthly expenses consist of $500.00 for rent. She also pays a car insurance premium of $68.00 and a car payment of $167.00. Are these payments within Juanita's safe debt load?

_____

_____

_____

Safe Debt Load

Answer key

1. Answer is $20.00
   $1,360.00 x 10% = $136.00
   $136.00 - $116.00 = $20.00

2. Answer is $1,400.00
   $3,500.00 x 12 = $42,000.00
   $42,000.00 x 20% = $8,400.00
   $8,400.00 - $6,000.00 - $1,000.00 = $1,400.00

3. Answer is Yes
   $2,500.00 x 10% = $250.00
   $250.00 - $167.00 - $68.00 = $15.00

Identity Theft

"Hey, Yuki," said Joel, pulling a crumpled paper out of his pocket. "I've got a present for you." It was the credit card application she'd filled out partway and then thrown away earlier.

"Uh… thanks," said Yuki. "But I think I'm not gonna bother with this Joel." She crumpled it back up again.

"No, no," he said. "You have to shred it."

Yuki stared at him. "Shred it?"

"Don't you watch L.A. Investigators?" asked Joel. "On the Crime Channel?" Yuki shook her head.

"At last!" Joel crowed. "I know something you don't know!" He grabbed the paper from Yuki and waved it in her face. "Identity theft, my dear Ms. Hashimoto, is a growing crime wave in the U.S. Over 1,000 people a day are victims."

"What's identity theft?" asked Yuki.

"It's when someone sees a half-filled out application like this in a garbage can, takes your name, your birthdate, your address… oh, and looky here, even your Social Security Number and then uses it to pretend they're you. They'll get this credit card in your name and max it out. Or open a checking account in your name and start paperhanging all over the country. You'll get the bill, and the delinquent marks on your credit report when people figure out that they're not getting paid. Some people get their reputation totally destroyed. It takes them years to get out of a mess like that."

"What?" Yuki couldn't believe it. "People do that?"

"You better believe it," said Joel. He leaned back in his seat and grinned. "But it's kind of weird to be the one who knows stuff for once. Any other questions I can answer for you?"

"Don't get a big head," said Yuki. "You still owe me five bucks for dinner."

Protecting Yourself

Unfortunately, identity theft is a real and widespread problem. Unscrupulous people have ways of using your good name and good credit to their own advantage and it can be a long, complicated process to restore your reputation.

There are steps you can take to protect yourself, however:

- Make sure you know and trust anyone you share your financial information with. The financial aid office at a college is probably trustworthy; someone offering financial aid over the phone is probably not.
- Don't give out your Social Security Number unless it's absolutely necessary. Many institutions have stopped using your SSN as a common form of identification but if it is requested, ask if you can use your driver's license number or other form of identification instead.
- Keep your personal information in a safe place and shred or tear it up when you're done with it.
- Make copies of all your financial, insurance and personal information (like your birth certificate) and keep them in a safe place. Also, write down all the numbers you'd need to report lost or stolen information. If your wallet or bag is ever stolen or misplaced, you'll have the information you need to get back on track.
- Pay attention to your statements. Check them for unauthorized or suspicious activity.
- Check your credit report yearly. You can order a copy from different agencies and make sure that it is accurate, with no unauthorized activity.
- Be careful when filling out surveys or sweepstakes forms. Some of the information, like age and income, is optional and can be kept private.
- Be vigilant when sending financial information over the Internet. Check to make sure you are working with a reputable company that has security measures in place to keep your information private when buying something online.

Recovering from Identity Theft

If you believe you are the victim of identity theft, there are several steps you should take:

- Contact one of the three major credit bureaus (Equifax®, Experian™, TransUnion®) and ask them to put a fraud alert in your file.
- Contact all your creditors and alert them to the theft. Put this information in writing so that you have a record of your actions.
- Close the affected accounts and open new ones.
- File a report with the police and again, keep a record of this file.
- File a complaint with the FTC. You can call their Identity Theft Hotline toll free at 877.ID.THEFT, or go to their website at www.consumer.gov/idtheft. The FTC can provide you with an identity theft affidavit, which will allow you to report information to several creditors simultaneously.

Identity Theft Crime Stoppers

Objective:
To help students become aware of what identity theft is, how to protect themselves from it and how to recover if they are victims.

In groups, ask students create five-minute skits about identity theft to present to their classmates. Encourage them to be as entertaining, creative and informative as possible.

If desired, you can ask the students to cover different aspects of the identity theft information above; for example, one group can explain what identity theft is, another can do a skit on prevention and a third can show the recovery process.

Chapter Four Assessment

Name: _____ Date: _____

True or False

1. _____ ATMs are always surcharge fee.

2. _____ Debit cards and credit cards are not the same thing.

3. _____ The sign of getting a good deal on a loan is a low monthly payment.

4. _____ Using the 20-10 Rule, a person making $55,000 a year after taxes should have no more than $11,000 of outstanding debt.

5. _____ Using your Social Security card is a good form of identification.

Multiple Choice

6. _____ Using credit can be helpful when **A:** You have bounced a check. **B:** You want to buy something you don't really need. **C:** Making large purchases. **D:** Your friend doesn't have the money to buy something.

7. _____ Which is not true of debit cards? **A:** The card is linked to your checking account. **B:** It has a lower interest rate than a credit card. **C:** You should write down your debit purchases immediately in your check register. **D:** You sometimes have to enter a PIN to use it.

8. _____ Which of the following is not a feature of you should consider when choosing a financial institution? **A:** Interest rate earned on accounts. **B:** Convenience of locations. **C:** Whether you can do your banking online. **D:** The picture on the checks.

9. _____ Which of the following is not something you need to consider when shopping for a car loan? **A:** ATM fees. **B:** The term of the loan. **C:** The amount of the monthly payment. **D:** The interest rate.

10. ___ Which of the following statements is not true? **A:** Anyone can become a victim of identity theft. **B:** Your financial institution will check your monthly statements for you to see if there are any inaccuracies. **C:** It's a good idea to shred papers that have personal information when you are done with them. **D:** If you believe you are a victim of identity theft, you should contact the credit bureaus.

Short Essay

Use your own words to discuss some of the positives and the negatives of credit.

_____

_____

_____

Chapter Four Assessment

Answer Key

1. F
2. T
3. F
4. T
5. F
6. C
7. B
8. D
9. A
10. B

Short Essay:
Answers will vary but should reflect at least supporting statements for each the positive and the negative sides of credit.

Vocabulary

ACCOUNT - Money deposited with a financial institution for investment and/or safekeeping purposes.

APR (Annual Percentage Rate) - A fixed or variable rate that a financial institution charges for borrowing money, which translates to the amount of interest a borrower pays on a loan (e.g., auto loan, credit card, etc.).

APY (Annual Percentage Yield) - The return (interest or dividend) that a financial institution pays on a deposit account (e.g., savings, certificates, etc.).

ASSETS - Items of monetary value (e.g., house, land, car), owned by an individual or a company.

ATM - Acronym for automated teller machine.

BALANCE - An outstanding amount of money. In banking, balance refers to the amount of money in a particular account. In credit, balance refers to the amount owed.

BANK - A for-profit financial institution that offers deposit and loan products to consumers.

BOND - An IOU issued by a corporation, the U.S. government, or a city that is held by the lender as receipt that the business or institution has borrowed a specific amount of money. All bonds pay interest yearly and are payable in full at a specified date written on the bond.

BOUNCED CHECK - A check that a financial institution has refused to cash or pay because you have no funds to cover it in your account.

BUDGET - A plan for spending and saving money based on a person's goals during a given time period.

CANCELLED CHECK - A check that has been paid and deducted from the issuer's account. Images of cancelled checks can be requested from the financial institution as needed for record-keeping and tax purposes.

CAPITAL - A stock of accumulated wealth used or available for producing more wealth.

CASH - Money in form of paper and coins (e.g., U.S. dollars and cents). In banking, this is the act of paying a check.

CASH FLOW - A measure of money a person receives and spends.

CASH MANAGEMENT - How a person manages money (cash) coming in and money going out.

CASHIERS CHECK - A check issued by a financial institution, drawn on its own funds rather than on one of its depositor's funds.

CERTIFICATE OF DEPOSIT - A term account in which an individual promises to deposit the money for a set period of time, for which the financial institution pays higher interest than a regular savings account.

CHECK - Any written document instructing a financial institution to pay money from the writer's account.

CHECK CARD - See debit card.

CHECKING ACCOUNT - An account for which the holder can write checks. Checking accounts pay less interest than savings accounts or none at all.

CLEAR - A check clears when its amount is debited (subtracted) from the payer's account and credited (added) to the payee's account.

COLLATERAL - Anything that a financial institution accepts as security against the debtor's failure to repay a loan. If the debtor fails to repay the loan, the financial institution is allowed to keep the collateral. Collateral is most commonly in the form of real estate (e.g., a home).

COMPOUND INTEREST - Interest calculated not only on the original principal, but also on the interest already accrued.

CORPORATE BONDS - Bonds are sold on the market just like stock. When you purchase a bond you are lending money to the corporation who sold the bond. The price of the bond is a percentage of the face value printed on the bond.

CREDIT - In business, buying or borrowing on the promise to repay at a later date. In any credit arrangement there is a creditor (a person, bank, store, or company to whom money is owed) and a debtor (the person who owes money). In bookkeeping, credit is a sum of money due to an individual or institution.

CREDIT BUREAU - An agency that checks credit information and keeps a complete file on people who apply for and use credit.

CREDIT CARD - A plastic card that gives access to line of credit. Users are limited to how much they can charge but they are not required to repay the full amount each month. Instead the balance (or revolve) accrues interest calculated not only on the original principal, but also on the minimum payment due.

CREDIT RATING - A financial institution's evaluation of whether a person is suitable to receive credit. Credit ratings are based on an individual's character, capacity to repay, and capital.

CREDIT UNION - A member-owned financial institution, either state or federally chartered. Credit unions are often more competitive than banks because their not-for-profit status makes their operating costs lower.

CURRENCY/MONEY - anything used as a common medium of exchange. In practice, currency means cash, particularly paper money. Bankers often use the phrase "coin and currency" to refer to cents and dollars.

DEBIT - A bookkeeping term for a sum of money owed by an individual or institution; a charge deducted from an account.

DEBIT CARD - A card that can be used in place of cash or checks to purchase goods or services. Transactions are deducted from the cardholder's checking account. The cardholder can either sign a receipt or use a Personal Identification Number (PIN) to authorize the transaction.

DECISION MAKING - The process of considering and analyzing information in order to make a choice.

DELAYED GRATIFICATION - A willingness to give up something now in return for a benefit later.

DEPOSIT SLIP - An itemized slip showing the exact amount of paper money, coin, and checks being deposited to a particular account.

DEPOSITOR - An individual or company that puts money in an account at a financial institution.

ENDORSE - To sign as the payee, the back of a check before cashing, depositing, or giving it to someone else. The first endorsement must be made by the payee to authorize the transaction. Later endorsements may be made by whoever receives the check.

EXPENSES - Any money a person spends.

FEDERAL RESERVE SYSTEM- An entity established by Congress to organize and regulate banking throughout the United States. The 12 reserve banks keep paper and currency reserves for affiliated banks.

FINANCIAL PLANNING - A blueprint or plan for managing all aspects of a person's money.

FIXED EXPENSES - An expense that is an exact amount of money every time. e.g., rent, mortgage, car payment, etc.

GOAL - A statement of something a person wants or need to do.

INCOME - Any money a person receives.

INTEREST - The fee paid for the use of money. Interest may be paid, for example, by an individual to a financial institution for credit card use, or by a financial institution to an individual for holding a savings account.

JOINT ACCOUNT - A savings or checking account established in the names of more than one person (e.g., parent/child, wife/husband).

LIABILITIES - Money owed to individuals, businesses, or institutions.

LINE OF CREDIT - An authorized amount of credit given to an individual, business, or institution.

LOAN MODIFICATION - To revise a loan agreement to make the terms of payment more suitable to a borrower's present income and ability to repay. Refinancing usually provides a lower interest rate and lower monthly payments over a longer period of time.

MARKET ECONOMY - An economic system permitting an open exchange of goods and services between producers and consumers, such as is found in the United States.

MOBILE BANKING - Electronic banking using a mobile device. Mobile banking provides instant account access and the ability to conduct transactions at the accountholder's convenience.

MONEY - Anything generally recognized as a medium of exchange.

MORTGAGE - A long-term loan obtained by individuals to buy a home that legally transfers ownership from the debtor to the creditor until the debt is paid.

NEEDS - The essential basics of life.

NET INCOME - The amount of a paycheck that a person can actually spend; essentially gross income less any payroll deductions.

ONLINE BANKING - This service enables accountholders to manage their accounts and conduct transactions using their personal computers. Online banking is accessed through the financial institution's website.

OPPORTUNITY COST - The value of what is given up when a person chooses one option over another.

OVERDRAFT - A check written for more money than is currently in the account. If the financial institution refuses to cash the check, it is said to have "bounced."

PAYEE - An individual or company to whom a check is written; one who receives money as payment.

PAYER - An individual or company who writes a check; one who gives money as payment.

PIGGY BANK - A holding place for your money. It does not earn interest.

PRINCIPAL - The original amount of money borrowed, deposited, or invested before interest accrues.

REFINANCE - Borrower applies to refinance an existing loan, usually to receive a lower rate and/or monthly payment.

SAVINGS ACCOUNT - An account that accrues interest in exchange for use of the money on deposit.

SAVINGS BONDS - The U.S. government sells saving bonds. One type is the EE series. These bonds are guaranteed by the federal government and can be purchased for as little as $25. The interest rate on bonds is usually higher than on a savings account, but may take many years to reach the face value of the bond.

SERVICE CHARGE - A monthly fee a bank charges for handling a checking account.

STOCKS - Owners of shares of stock are part owners of the corporation issuing the stock. The amount you pay for stock depends on the cost per share, the number of shares you buy and the stockbroker's commission. Stock prices are listed in the newspaper and on the Internet. Money is earned when the price of stocks rise and you sell your shares at the higher price. However, if the stock prices drop and you sell, you lose money.

STOP PAYMENT - A request made to a financial institution to not pay a specific check. If requested soon enough, the check will not be debited from the payer's account. Normally there is a charge for this service.

TERMS - The period of time and the interest rate arranged between creditor and debtor to repay a loan.

VALUES - The beliefs and practices in a person's life that are very important.

VARIABLE EXPENSES - An expense that is not an exact amount of money everytime. e.g., gas, groceries, etc.

WANTS - Items, activities, or services that increase the quality of life.

WITHDRAWAL - An amount of money taken out of an account.

WSECU's *The Vault* – Teacher Evaluation

Thank you for taking the time to complete the following evaluation. The information you provide will be used to help us improve the content and quality of our program.

Name: _____

School: _____ District: _____

Name of course(s) in which you used *The Vault*: _____

Number of students you taught using *The Vault* curriculum: _____ Grade level: _____

May we contact you for additional follow-up? _____ E-mail address: _____

Please rate the following from a scale of 1-5, with 5 being the highest possible score.

1. I give *The Vault* materials an overall rating of: _____
2. The materials are easy to use and present. _____
3. My students enjoyed the lessons. _____
4. The information included is valuable to my students. _____
5. This program can help with WASL preparation. _____
6. I would recommend *The Vault* to a colleague. _____

Does *The Vault* financial education program support the WASL? Why or why not?

_____

_____

Which chapters/lessons did you use? _____

_____

What did you like most about the lessons? _____

_____

What could we do to improve the program? _____

_____

Please return the teacher and student evaluations to:
Ann Flannigan, VP of Public Relations
WSECU
PO BOX WSECU, OLYMPIA, WA 98507

WSECU's *The Vault* – Student Evaluation

Please rate the following from a scale of 1-5, with 5 being the highest possible score.

I give *The Vault* financial education lessons an overall rating of: _____

I can use what I learned from this program in my everyday life: _____

I know more about money management than before: _____

The material in *The Vault* is presented in an interesting and easy-to-understand style: _____

Based on the sections your teacher used, rate the following chapters of *The Vault* curriculum from 1-5.

Budgeting: _____

Getting Your Money's Worth: _____

Saving and Investing: _____

Managing Your Money: _____

Credit: _____

What section/lesson did you like the most? _____ Why? _____

_____

_____

What information is the most valuable to you in terms of helping you with money management?

_____

_____

What could we do to improve the program?

_____

_____

WSECU
PO BOX WSECU, OLYMPIA, WA 98507
800.562.0999

Sample Visa Application

WSECU

Washington State Employees Credit Union
P.O. Box WSECU
Olympia, WA 98507
(800) 562-0999

***VISA* APPLICATION**

SAMPLE APPLICATION

Credit Card Account: ☐ Individual ☐ Joint ☐ New Credit Card Account ☐ Adding Authorized Signer
Account Type: ☐ Platinum Rewards ☐ Gold Rewards ☐ Student Rewards
☐ Gold Rebate ☐ Classic ☐ Secured Classic

Number of Cards _____ Visa Account Number _____

If you have applied for a Credit Card and you wish to have two (2) cards issued, you must check one of the following:

☐ Please issue the 2nd card (with the same account number as mine) in the name of the co-applicant who completed and signed this application.
☐ Please issue the 2nd card to my authorized signer as follows:

APPLICANT
Complete only "Applicant" section if you are requesting an Individual Loan Account and not relying on another's income or assets to repay the debt.

APPLICANT NAME		WSECU MEMBER #	
DATE OF BIRTH	SOCIAL SECURITY #	AGE OF DEPENDENTS	
ADDRESS		DAY PHONE	EVENING PHONE
EMPLOYER		MO/YR HIRED	GROSS MONTHLY INCOME* $

CO-APPLICANT
Complete "Co-Applicant" section for one of the following reasons: 1. Applying for joint credit, 2. If your spouse will use or be liable for the account, 3. You will rely on your spouse's income to pay the loan, or 4. If you reside or the collateral offered is located in a community property state. Community property states include: AK, AZ, CA, ID, NM, NV, TX, WA, and WI.

CO-APPLICANT NAME	DATE OF BIRTH	SOCIAL SECURITY #	DAY PHONE
EMPLOYER		MO/YR HIRED	GROSS MONTHLY INCOME* $

**Alimony, child support, or separate maintenance income need not be revealed if you do not wish to have it considered as a basis for repaying this obligation.*

FINANCIAL INFORMATION

HOME/RENT PAYMENT $	ALIMONY/CHILD SUPPORT PAYMENTS $

By signing below, you certify that this request is submitted for the purpose of obtaining credit and you agree (a) that the Credit Union can use credit reporting agencies to verify information about you; (b) that the Credit Union can tell others about its credit experience with you and receive information from others about your credit history and performance. You will receive a disclosure of credit card terms and fees on a separate form. By signing below, you acknowledge receipt of a copy of the credit card disclosures and Fair Credit Billing notice and agree to the terms and conditions of the Visa Credit Card Account Agreement which will accompany any card(s) issued to you.
We may report information about your account to credit bureaus. Late payments, missed payments, or other defaults on your account may be reflected in your credit report.
If you purchase voluntary credit insurance or other products in connection with this loan, you understand that a portion of the premium or fee you pay will be retained by the credit union (or paid back to the credit union by the service provider) as compensation for making these services available to you.

SIGNATURE OF APPLICANT X	DATE	SIGNATURE OF CO-APPLICANT X	DATE

INSURANCE INFORMATION

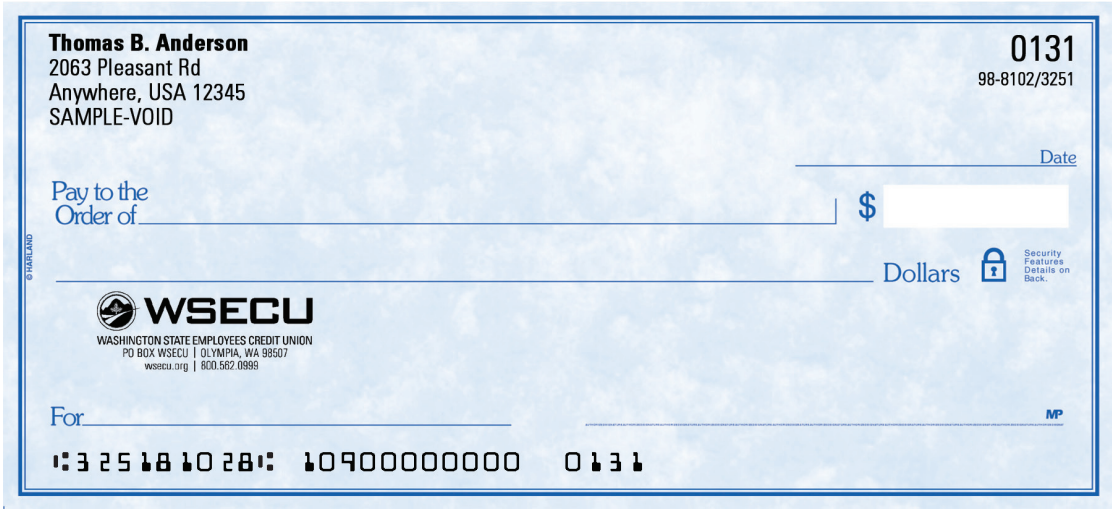
Credit Life and Credit Disability Insurance is available to protect your loan. Credit Life Insurance can reduce or pay off your loan if you die. Credit Disability Insurance can help make your loan payments if you should become disabled and unable to work.

☐ I am interested in applying for the insurance coverage(s) checked below. I understand that this is not an application for insurance. This insurance is voluntary and is not a condition for approval of my loan or credit plan. I understand that the cost will be disclosed on my Truth-in-Lending Disclosure Statement. Insurance coverage will become effective after I apply and meet the eligibility requirements of the group policies when my loan or credit plan is approved.

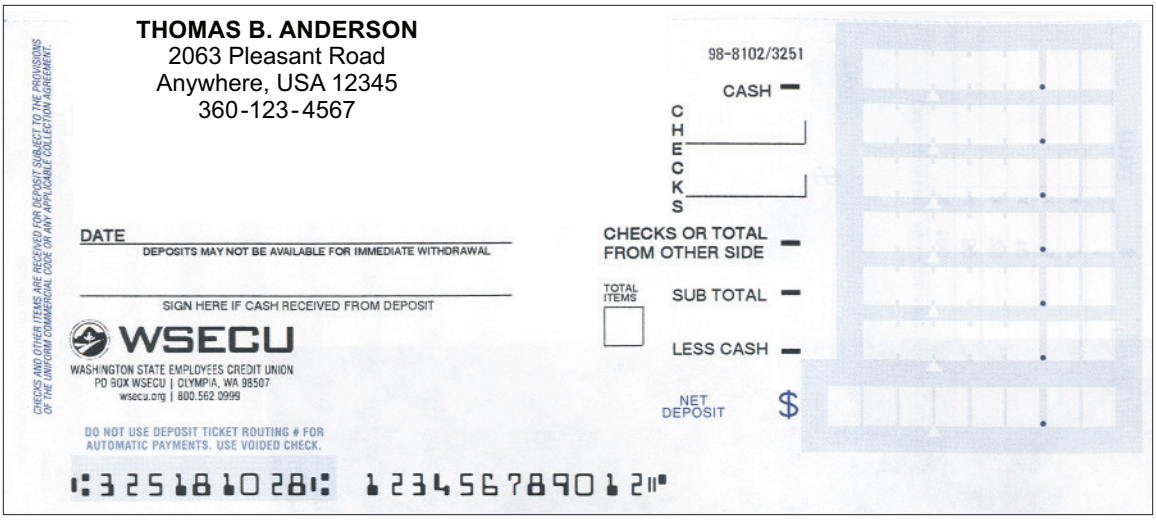
☐ I would like information on the insurance coverage(s) checked below.

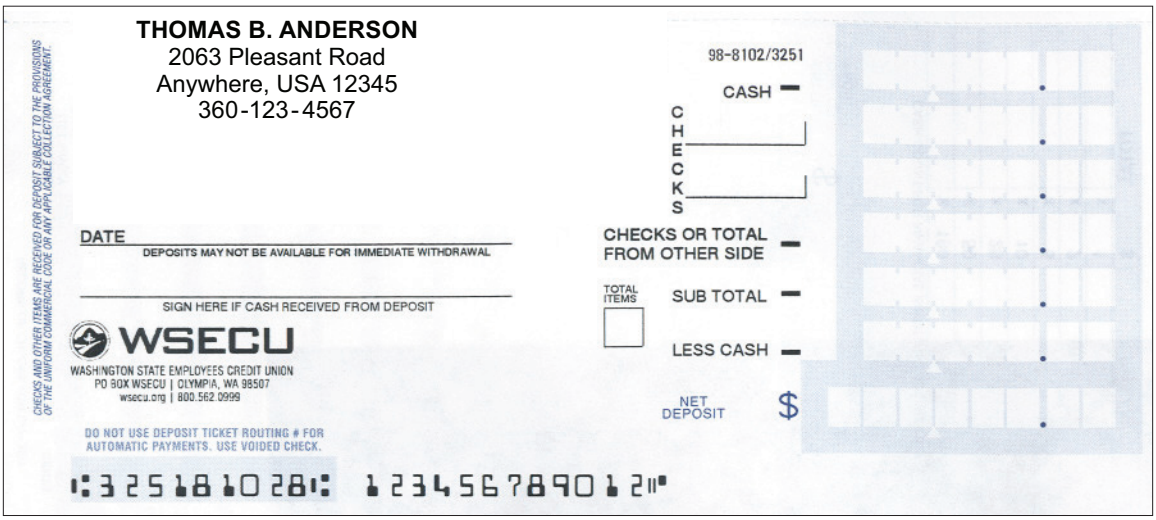
☐ Single Credit Life ☐ Joint Credit Life ☐ Credit Disability

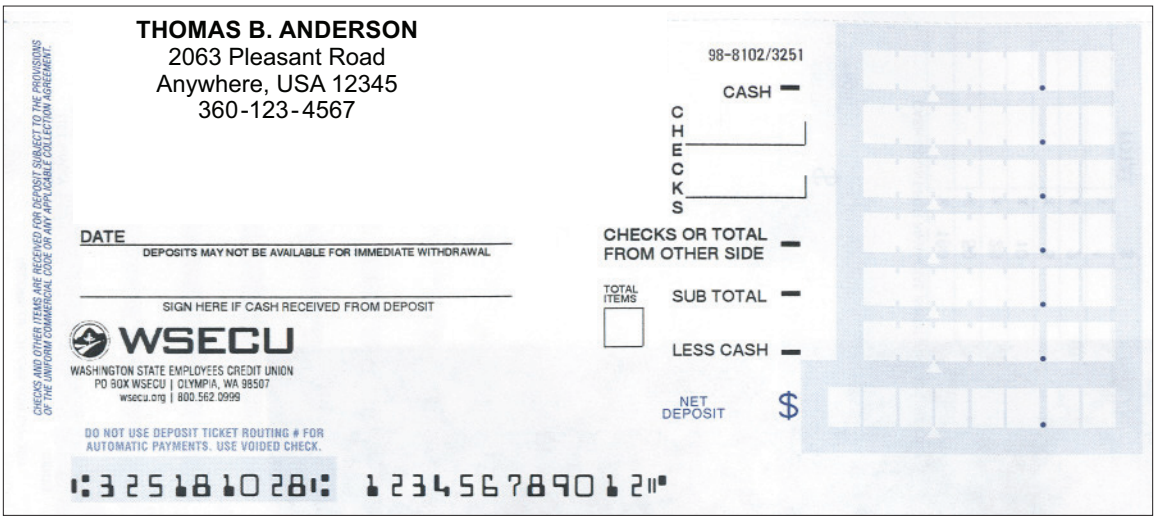
Sample Checks



Sample Deposit Slips







Sample Check Register

TRANS. TYPE/ CHECK NO.	DATE	DESCRIPTION OF TRANSACTION	PAYMENT/ DEBIT (-)		FEE IF ANY	DEPOSIT/ CREDIT (+)		$ BALANCE	