



Money Matters

A Resource Guide for Financial Literacy

*career***tech**

RCCTA Resource Center for
CareerTech Advancement

Money Matters

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Resource Center for CareerTech Advancement
A division of Oklahoma CareerTech

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Resource Center for CareerTech Advancement
<https://www.okcareertech.org/educators/resource-center>

The background of the page is a repeating pattern of stylized green dollar bills, some of which are slightly blurred or faded, creating a textured effect. The bills are oriented in various directions, some horizontal and some vertical.

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Earning and Managing an Income

Income

There are various types and sources of income - basically any money you receive is income. It can be from an allowance, a job, or a gift. Income can be fixed or variable.

Fixed income examples

- Set, weekly allowance
- Salary from a job paid monthly, bi-weekly

Variable income examples

- Pay from an hourly job - hours that can vary
- Tips
- Gifts

For most people, the majority of their income comes from working. Both jobs and careers provide income but there are some differences. **Jobs** often pay an hourly wage and the hours you work can vary from week to week or month to month. Benefits may or may not be part of a job. A **career** is an occupational plan with steps and choices that allow advancement. Benefits are usually provided.

Benefits may include

- Health Insurance
- Paid vacation time
- Paid sick or family leave

Generally speaking, whether you have a job or a career depends on the education and training needed for the positions.

Your income, benefits, and other financial resources help determine your **standard of living** or how comfortably you can live. Education and training can help you have a good career and a comfortable standard of living.

Career Choices

There are several ways to get the education and training you need for a successful career.

- CareerTech
- College
- Apprenticeships/Internships
- Military
- Online learning

What career do you want to have after you graduate?

What interests you most about the career you have chosen?

How will you prepare for this career (education and training)?

What can you do now to help you prepare for your desired career?

Needs or Wants?

I want it, I need it, I want more of it! Actually there is a pretty big difference between **needs** and **wants** and sometimes people get confused on whether something is a need or a want. Knowing that difference will help you manage your income and make good financial decisions.

Needs - are the basic necessities of life

- Shelter, a roof over your head complete with such things as heat
- Food and water
- Clothing
- Transportation to your job

Wants - desires; aren't necessary for your survival; may be an upgraded need

- A penthouse apartment
- Steak dinner
- Designer clothes and shoes
- A fancy sports car

While needs are required and wants are not, wants are not bad. Wants need to be managed in order to have what you need first. Everyone has wants, but unchecked wants or wants that are confused as needs can cause financial problems. You need to prioritize and plan/save for the wants in your life.

The background of the slide is a repeating pattern of stylized green banknotes, some of which are slightly blurred or faded, creating a sense of depth and movement. The notes are scattered across the entire page.

Your Needs and Wants

To be successful in your financial planning, you need to identify your needs and wants. Take some time to identify your needs and wants below.

Needs - basic necessities

-
-
-
-
-
-

Wants - things you desire

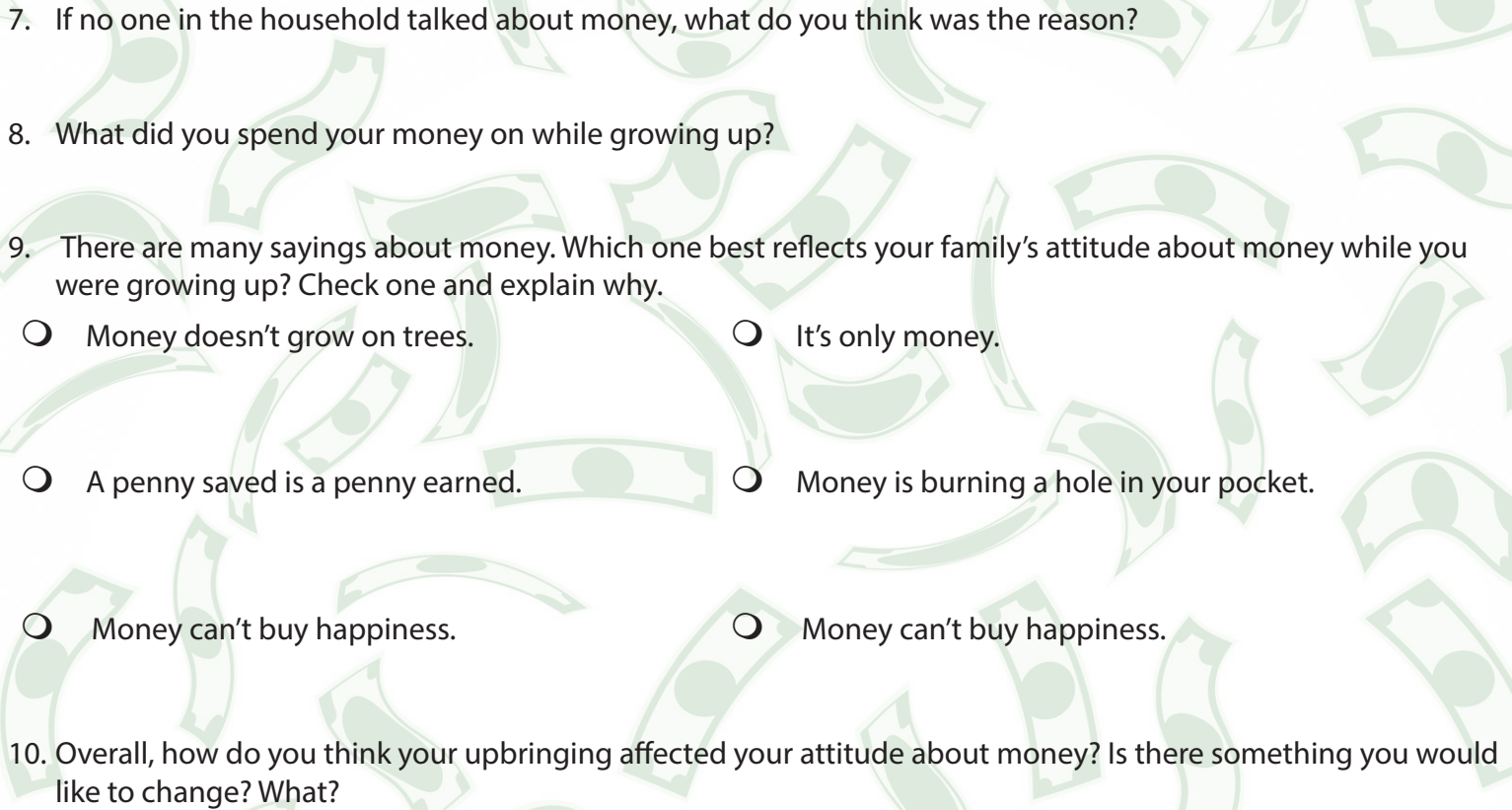
-
-
-
-
-
-

What can you do to afford the wants in your life?

The Value of Money

Everyone has personal beliefs about what is important in life. These are known as values. Values almost always come from our families and how we are raised. Your basic values rarely change much over a lifetime. Although values affect attitudes, attitudes tend to be more flexible and can be based on your experiences and observations throughout your life. Let's look at some things that have affected your attitudes and values concerning money.

1. What is your earliest memory about money?
2. Who managed the money in your household?
3. Did your family talk about money while you were growing up?
4. What type of conversations about money do you remember overhearing?
5. Look at the person or people who raised you. Was there a difference in attitudes about money for the man and the woman?
6. If there was a difference, what was it? For example, your male role model didn't talk about money but your female role model talked to you about how to spend your allowance.

- 
7. If no one in the household talked about money, what do you think was the reason?
8. What did you spend your money on while growing up?
9. There are many sayings about money. Which one best reflects your family's attitude about money while you were growing up? Check one and explain why.
- Money doesn't grow on trees.
- It's only money.
- A penny saved is a penny earned.
- Money is burning a hole in your pocket.
- Money can't buy happiness.
- Money can't buy happiness.
10. Overall, how do you think your upbringing affected your attitude about money? Is there something you would like to change? What?

Let's Spend Some Money - and Save Some Too!

Spending plans are the key to a financially healthy life that begins with knowing what your income is and where your money is going. Successfully reaching financial goals comes from creating and following a spending plan based on your individual situation. It is also important to review spending plans regularly — as situations, wants, and needs change over time.

Sample spending plan

Angie is 20 years old and has two roommates. She works 40 hours a week at a clothing store and takes a class at the community college. Sometimes she works as a waitress at her family's restaurant. She wants to go to a four-year university in about 1-1/2 years, so she is saving for that plus an emergency fund. Let's look at her spending plan for last month. While her expenses were more than planned, her income was as well, so she was okay.

	Projected	Actual	+ or -		Projected	Actual	+ or -
Income				Fixed Expenses - cont.			
Clothing Store	\$1200	\$ 1150	- 50	Savings/college	\$ 50	\$ 50	0
Restaurant	0	\$ 150	+150	Fixed expenses total	\$ 850	\$ 850	0
Total	\$1200	\$ 1300	+100	Variable Expenses			
Fixed Expenses				Utilities	\$ 75	\$ 93	- 18
Rent	\$ 350	\$ 350	0	Gasoline	\$ 35	\$ 35	0
Car (loan, insurance)	\$ 225	\$ 225	0	Groceries	\$ 75	\$ 81	- 6
Phone	\$ 75	\$ 75	0	Entertainment/Dining	\$ 50	\$ 80	- 30
Cable/Internet	\$ 50	\$ 50	0	Clothing	\$ 50	\$ 0	+ 50
Credit Card	\$ 50	\$ 50	0	Donations	\$ 25	\$ 25	0
Savings/emergency	\$ 50	\$ 50	0	Variable expenses total	\$ 310	\$ 314	- 4

Create a spending plan of your own using the table below. Fill in your income and your fixed and variable expenses and total to see where you stand financially.

	Projected	Actual	+ or -		Projected	Actual	+ or -
Income				Variable Expenses			
Fixed Expenses							
				Total			

So, how does your plan look? What changes, if any, need to be made to your spending plan?

Understanding Taxes

Tax Basics

Paying taxes is a given. Taxes help pay for public services like fire and police assistance, roads, schools, and more. There are two theories: taxes based on the ability to pay and taxes based on benefits received. The first theory means people with more income pay more taxes; this is known as a **progressive tax**. The larger tax burden is paid by those who have more money. When taxes are based on benefits received, everyone pays the same tax. Examples of this include taxes on food and clothes. This is known as a **regressive tax** and means people with lower income have a larger tax burden or percentage of their income paying taxes. The tax on a loaf of bread is the same no matter how much money you make. However, it takes a higher percentage of a low income earner's income to pay that tax.

When you get a paycheck for working, you will see there are deductions taken out of the total pay. The hours you worked times the pay you receive, what you actually earn, is gross income. The amount you receive after deductions are taken out is net income. Some of the deductions from your pay are taxes and some are optional items, like insurance premiums.

Let's compare gross and net income for some examples. Shelly is single and makes \$29,000 a year as a secretary. She pays \$350/month for health insurance and puts \$100/month in the credit union savings through direct deposit.

Shelly's Payroll Deductions		
Deduction	Amount/month	Amount/year
Federal Tax (15%)	\$ 362.55	\$ 4350.60
Social Security Tax (6.2%)	\$ 149.85	\$ 1798.20
Medicare Tax (1.45%)	\$ 35.05	\$ 420.60
State Tax (5%)	\$ 120.85	\$ 1450.20
Other deductions	\$ 450.00	\$ 5400.00
Total	\$1118.30	\$13419.60

Shelly's net pay is
\$ 1298.70 per month
and is
\$ 15580.40 per year.

Brandon is single and works as a computer tech making \$25,000 per year. His gross pay is \$961.54 every two weeks. He pays \$125 for health insurance each pay period and directly deposits \$25 to savings from his gross pay.

Brandon's Payroll Deductions		
Deduction	Amount/pay period	Amount/year
Federal Tax (15%)	\$	\$
Social Security Tax (6.2%)	\$	\$
Medicare Tax (1.45%)	\$	\$
State Tax (5%)	\$	\$
Other Deductions	\$	\$
Total	\$	\$

What is Brandon's net income every two weeks?

What is his net income for the year?

Annalise works part-time and attends school. Her gross income for the year was \$7280.

Annalise's Payroll Deductions	
Deduction	Amount/year
Federal Tax (10%)	\$
Social Security Tax (6.2%)	\$
Medicare Tax (1.45%)	\$
State Tax (5%)	\$
Total	\$

What is Annalise's net income every two weeks?

What is her net income for the year?

Jerome and Annette are married and work full time. Jerome receives \$2089.00 gross every two weeks and Annette's gross pay is \$3642.00 per month. Jerome's company pays his health insurance and Annette pays \$275 per month for her insurance. They each have \$200 per month taken out of their paychecks for savings. What is the couple's gross income for the year?

What are their total deductions each month?

Payroll Deductions	Jerome	Annette
Federal Income Tax (25%)		
Social Security Tax (6.2%)		
Medicare Tax (1.45%)		
State Income Tax (5%)		
Other Deductions		
Total Deductions		

After all of the payroll deductions, what is the couple's monthly net income? (Hint: You will have to average Jerome's income since he is paid every two weeks.)

Banks and Other Financial Institutions

Financial institutions are an important part of the financial planning process. A financial institution cashes your paycheck and provides a secure system that allows you to make payments and purchases. Financial institutions offer a wide range of products and services to help you meet financial needs and goals. They provide different ways for you to save money, such as through savings accounts, certificates of deposit, and more. Not only do the deposits add up, you earn interest on the money in that account. Let's look at how it works if \$1000 was put into different types of savings vehicles.

Time frame	Savings at .5% interest compounded quarterly	Money market account with interest rate 2.5% compounded monthly	CD with interest compounded every 6 months at 3.25%, maturing in 5 years*	Stocks, paying 8.5%, dividend/YR ***
1 year	\$1005.00	\$1025.29	**	\$1085.00
5 years	\$1025.30	\$1131.00	\$1174.91	\$1425.00
10 years	\$1051.24	\$1283.69	\$1380.42	\$1850.00
20 years	\$1105.10	\$1647.86	\$1905.56	\$2700.00
30 years	\$1161.73	\$2115.35	\$2630.47	\$3550.00

*The CD is rolled over and reinvested every 5 years.

**CDs have a date of maturity. Cashing in before maturity results in an early withdrawal penalty, a very expensive option, and should be avoided. The penalty on CDs varies, but basically the longer the CD and the earlier they are cashed in, the larger the penalty.

***Stocks sometimes pay dividends. These can be reinvested into purchasing additional stock. For this exercise, calculations were made on an 8.5% dividend paid per year. The only money added to the stock value was the actual dividend paid per year. It should also be noted that stocks can lose value.

As you can see from the chart, most of the account types **compound interest**. This means that interest is paid on the principal you put into the account and on the interest that has been added as well. This helps your balance grow more quickly.

Compound interest on savings is like getting free money. In fact, you can double your original investment this way. So, how can you tell how long it will take to do this? **The Rule of 72**. You simply divide 72 by the interest rate you get. A \$1000 deposit at 2% interest will double to \$2000 in 36 years without you doing anything! If you get a higher interest rate, it will take less time.

Let's look at how compounding interest works. Laci has \$1000 to invest at 2% interest - in five years, she's made over \$100 without doing anything but letting the savings draw compound interest.

Year	Beginning balance	Interest earned	Ending balance
1	\$ 1000.00	\$ 20.00	\$ 1020.00
2	\$ 1020.00	\$ 20.40	\$ 1040.40
3	\$ 1040.40	\$ 20.81	\$ 1061.21
5	\$ 1082.41	\$ 21.65	\$ 1104.06

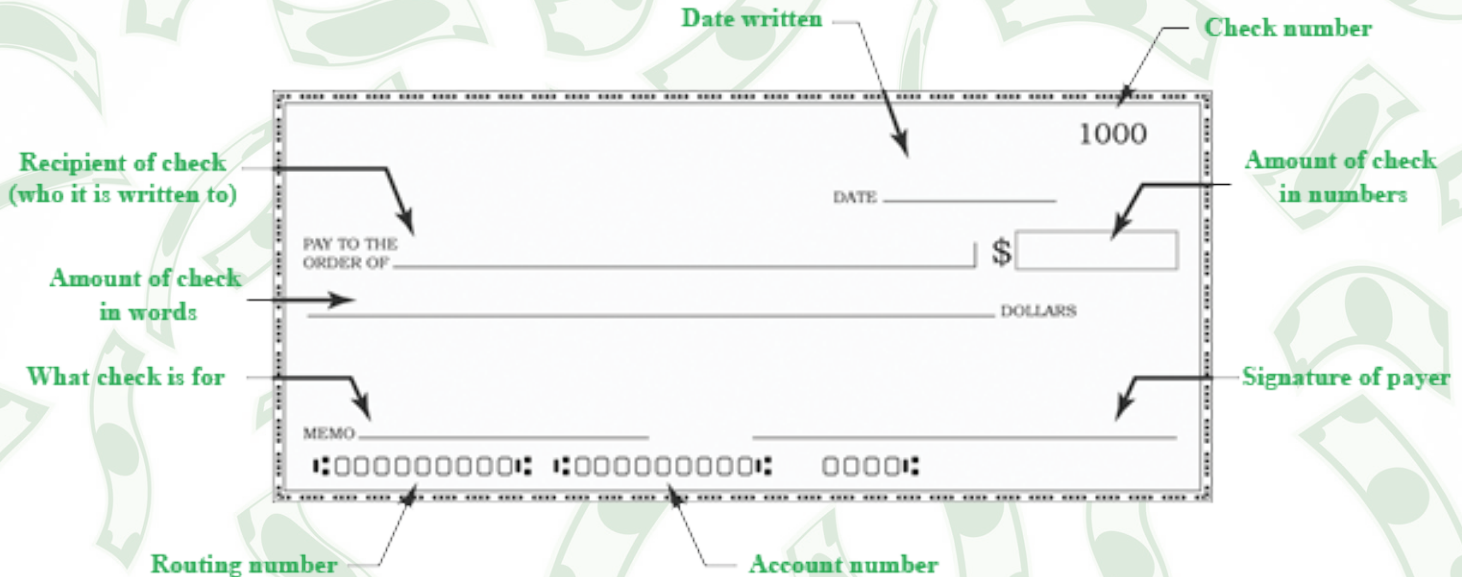
How much would you have if you invested \$1500 for five years at 2.5% interest?

What if you deposited \$1000 with an interest rate of 3% and left it alone for ten years?

Compounding interest is like free money. You just have to leave the money in the account and earn the interest. If you add more money as you go, the total grows even more!

Managing Financial Accounts

One of the services you will probably use at a financial institution is a checking account. With debit card use, the number of checks written has decreased. You should, however, know how to write one. Let's look at the parts of a check.



Practice Writing Checks

Write a check to Oklahoma Tax Commission for a car tag. The cost of the tag is \$87.49 and the date is today. The check number is 5234.

Student Name	5 _____
2011 School Zone Street	
Anytown, USA 54321	
	DATE _____
PAY TO THE ORDER OF _____	\$ <input type="text"/>
_____	DOLLARS
MEMO _____	
⑆0000000000⑆ ⑆0000000000⑆	

Student Name	5 _____
2011 School Zone Street	
Anytown, USA 54321	
	DATE _____
PAY TO THE ORDER OF _____	\$ <input type="text"/>
_____	DOLLARS
MEMO _____	
⑆0000000000⑆ ⑆0000000000⑆	

Write a check to the Student Store for a sweatshirt. The cost of the shirt is \$29.63 and the date is today. The check number is 5235.

Keeping Track

Whether you write checks or use a debit card, you have to keep track of all deposits and withdrawals to make sure you have enough money to cover any debits. You can keep track by using a check register. Here's a sample:

Number	Date	Description	Withdrawal amount		Deposit amount		Balance	
	9/15	Deposit - job			129	42	243	86
5232	9/15	Pizza Hero	12	63			231	23
	9/16	Gasoline	21	02			210	21
5233	9/18	Student Store - supplies	8	48			201	73
	9/20	Cash withdrawal	20	00			181	73

Fill out the check register below. Record the checks you just wrote (on the previous page) plus a deposit of 137.92 made last week and a withdrawal of \$30.00 made yesterday.

Number	Date	Description	Withdrawal amount		Deposit amount		Balance	
							181	73

Saving and Investing

One of the most important things for a stable financial life is to have **savings** - and investments if possible. You should adopt the philosophy of paying yourself first, before paying bills. You do this by saving money in some type of account. The first thing you should do is start an emergency fund. Emergency funds provide funds for unexpected expenses, or the money to keep you going if you were unemployed for a short time. An emergency fund should have enough in it for three to six months of expenses - even up to a year's worth. It should also be in an account that you can access if needed. Based on the outline of your expenses (done earlier), how much should you have in an emergency fund?

Three months of expenses: _____ to six months of expenses: _____

How much would you need for a year's worth of expenses? _____

Remember, there is a way to help you grow your emergency fund faster - compound interest. So, you will want to put your money into an account that compounds interest - and not in a jar or under your bed!

Here is a website that can help you determine how long it will take you to save enough for a solid emergency fund if you save a specific amount each month (remember, pay yourself first!). <http://www.thecalculatorsite.com/finance/calculators/compoundinterestcalculator.php>

Plug in the amount you use to start a savings account and an amount you plan to save each month. Check to see what the interest rate is on your account, or use 1% for the rate for the calculator. How long will it take to meet your savings goal and have a solid emergency fund?

Once you have your emergency fund where it should be, you can start looking at such things as investments to help your money grow. Many people invest money in stocks or mutual funds. There is potential for risk in doing this, as well as the potential for good returns. For a little practice without any risk, track a stock you might want to purchase. Use the chart below and information at <http://finance.yahoo.com/> to do this. You will need to know the stock symbol of the company/stock you want to track. You can use a search engine to get this information.

Name of the company/stock chosen: _____ Stock symbol: _____

	Price	Day's High	Day's Low	Change
Week 1				
Week 2				
Week 3				
Week 4				
Week 5				
Week 6				
Week 7				
Week 8				
Week 9				

Was your stock up or down during the tracking period?

How did this make you feel? Did you make a good choice with this stock?

Retirement

Retirement may not even be on your radar at this point in life but if you start planning for it early, you may be able to retire earlier and with more money! It is **never too early to start planning** for retirement! While you are paying in to Social Security if you are working already, the money you will get from Social Security will probably only be about 25% of what you will need. So what do you do? First, you need to have an idea of what you will need in terms of income. Generally speaking, people need about 80% of their working salary in retirement. So, if you make \$50,000 when working, you will need to have at least \$40,000 a year when you retire. You should also plan for inflation. Go to <http://www.kiplinger.com/tool/retirement/T047-5001-retirement-savings-calculator-how-much-money-do-i/> and look at the information about how much you need for retirement. The following is one breakdown of where retirement income should come from:

Social Security	25%
401K or other tax-deferred savings plan	25%
Employer-provided accounts	15%
Non tax-deferred savings/investments	35%

How does seeing these amounts make you feel? What will you need to do to meet your retirement goals?

Try some other examples by figuring what each of these individuals needs to do:

Jacqui is 55 and wants to retire in seven years when she is 62. She makes \$55,000 per year, will get about \$1300 in Social Security benefits a month, and will need to plan on having enough money to last 20 - 25 years after retirement. She has \$250,000 invested in mutual funds and savings, and will get approximately \$1200/month from her employer and \$500 a month for 25 years from an annuity. Will she have enough income to reach her 80%? If not, what does she need to do (be specific)?

Sam makes \$45,000 and will retire next year at age 66. He has a pension that will pay him \$1600/month and his Social Security will be about \$1500/month. He has \$185,000 in investments. He is expecting to live to be at least 90. Will Sam have enough money to cover his expenses? _____ If not, what should he do?

Max and Michelle are both 58 and want to retire at age 65. They have a combined income of \$175,000. Their Social Security checks will be about \$2500/month. They have \$1.2 million in their investments accounts and their employer-funded accounts. Their house will be paid for by retirement, saving them \$1400/month. Will they have enough to retire comfortably in seven years and live 25 years after they retire? _____ If not, how much more do they need to reach 80% of their income?

Borrowing Money

In many cases, to borrow money you need a good credit record. So, how do you do build one? Paying your rent and bills on time, having a checking account (with a positive balance), having a savings account, and applying for a store credit card or a credit card from your financial institution - and always paying your card payment on time! You may be able to buy a car with a parent or other adult (with good credit) as a co-signer.

Speaking of car loans, let's look at how car payments are figured:

Amount financed x interest rate = annual interest cost

$$\$10,000 \times 5\% = \$500$$

Annual interest cost x number of years for loan = total interest paid

$$\$500 \times 4 = \$2000$$

Financed amount + total interest paid = loan total

$$\$10,000 + \$2000 = \$12,000$$

Loan total divided by the number of months in the loan = monthly loan payment

$$\$12,000 / 48 = \$250 \text{ a month}$$

Loan total less the down payment = total cost of the car

$$\$12,000 - \$0 = \$12,000$$

Let's practice figuring some payments and total costs.

Paul is looking at three different cars. He has \$2500 for the down payment. Car 1 is a used Honda for \$18,765; car 2 is a used Ford for \$17,491; car 3 is a new Hyundai for \$20,895. The interest rate from his bank is 3.9% for new cars and 4.59% for used cars; he could get a term of 48 or 60 months. The interest rate from the credit union is 3.79% for new cars and 4.5% for used cars. Determine the following:

Annual interest cost for each car from the bank and loan total:

Car 1 yearly interest _____ Total interest 48 months _____ 60 mo. _____ Loan total 48 mo. _____ 60 _____

Car 2 yearly interest _____ Total interest 48 months _____ 60 mo. _____ Loan total 48 mo. _____ 60 _____

Car 3 yearly interest _____ Total interest 48 months _____ 60 mo. _____ Loan total 48 mo. _____ 60 _____

Annual interest cost for each car from the credit union and loan total:

Car 1 yearly interest _____ Total interest 48 months _____ 60 mo. _____ Loan total 48 mo. _____ 60 _____

Car 2 yearly interest _____ Total interest 48 months _____ 60 mo. _____ Loan total 48 mo. _____ 60 _____

Car 3 yearly interest _____ Total interest 48 months _____ 60 mo. _____ Loan total 48 mo. _____ 60 _____

Monthly payment and total cost of each car from the bank:

Car 1 payments/month/48 months _____ Car 1 payments/month/60 months _____

Car 2 payments/month/48 months _____ Car 2 payments/month/60 months _____

Car 3 payments/month/48 months _____ Car 3 payments/month/60 months _____

Monthly payment and total cost of each car from the credit union:

Car 1 payments/month/48 months _____ Car 1 payments/month/60 months _____

Car 2 payments/month/48 months _____ Car 2 payments/month/60 months _____

Car 3 payments/month/48 months _____ Car 3 payments/month/60 months _____

Which option would you select?

Car 1 with financing 48 mo. from the bank _____

Car 1 with financing 60 mo. from the bank _____

Car 1 with financing 48 mo. from the credit union _____

Car 1 with financing 60 mo. from the credit union _____

Car 2 with financing 48 mo. from the bank _____

Car 2 with financing 60 mo. from the bank _____

Car 2 with financing 48 mo. from the credit union _____

Car 2 with financing 60 mo. from the credit union _____

Car 3 with financing 48 mo. from the bank _____

Car 3 with financing 60 mo. from the bank _____

Car 3 with financing 48 mo. from the credit union _____

Car 3 with financing 60 mo. from the credit union _____

Why did you choose the option you selected? Be specific.

The Cost of Driving

Car payments are only part of the cost of owning a car. There are also operating and ownership costs. These costs include routine maintenance, insurance, license, registration, taxes, depreciation, and finance charges on your loan amount.

Choose your car or a family car and calculate the **annual** costs of owning the car by completing the following table:

Operating Costs

gas per mile*

total miles driven

total gas

maintenance (tune-ups, repairs)

tires

Total operating costs =

Ownership Costs

depreciation**

insurance

taxes

license and registration

finance charges (auto loans)

Total ownership costs

other costs (washing, accessories, etc.)

Total driving costs (total operating costs + total ownership costs + other costs)

Total driving costs / total miles driven = cost per mile

_____ / _____ = _____

X _____

= _____

+ _____

+ _____

+ _____

+ _____

+ _____

+ _____

+ _____

= _____

* Figuring gas per mile: Write down the odometer reading when you have a full tank of gasoline. Each time you fill up, write down the number of gallons, how much you pay and the odometer reading. Do this several times to get an average. Add up the gallons of gas and the total cost. Subtract the last odometer reading from the first odometer reading. Divide the mileage by the number of gallons to get the gas per mile (dividing the cost by the mileage will tell you the cost of gas per mile).

**Depreciation is the difference in what you pay for a car and its trade-in value in five years.

Credit Cards and Shopping Online

Credit cards are open-ended consumer credit, unlike auto loans that are closed-ended. They allow you to make multiple, repeated purchases with the option of paying the balance monthly or by making installments. Terms for open-ended credit can change at any time. You generally have a credit limit and can charge up to that amount. If you don't pay your balance in full, you are charged interest. With credit cards, you are borrowing to spend. They can be convenient and can allow you to take advantage of sales and specials, but they also have a cost. If you are late with a payment, or miss one, it can damage your credit rating; they can become a habit; they can cause you to spend more than you should or can afford; and they charge interest if the balance isn't paid, which can raise the cost of the item you bought.

Let's look at some credit card costs. You can use the calculator at <http://www.thecalculatorsite.com/finance/calculators/credit-card-payment-calculators.php> to help you figure costs.

Nikki recently applied for and received a credit card. She's excited to think she got a great deal with a 5% introductory rate. She pays \$294.58 for an iPad Mini within a month of receiving her credit card. Nikki decides to pay the minimum of \$20 a month until it's paid off. How long does it take her to pay it off and how much did she pay in all?

Nikki missed the fine print in her credit card offer. The 5% rate was only good for the first six months. After that, the rate goes up to 19.9%. She buys the iPad during month 7 and still only makes minimum \$20 payments each month. How long does it take to pay it off, and how much does she pay in all for the iPad?

Melanie and Matt use their credit card for everything: entertainment, groceries, doctor's appointments, and gasoline for their car. They pay half of their balance each month. The annual percentage rate is 17.9%. If you divide the APR by 12 months, you'll have the monthly periodic rate. Finance charges are often calculated by multiplying the average daily balance by the monthly periodic rate. Using the following table, calculate the payment and the interest/finance charge that carries over into the next month. For this example, use "balance" as the average daily balance.

	Amount charged	Balance	Payment	Finance charge	New balance
January	\$296.94				
February	\$310.52				
March	\$321.70				
April	\$267.57				
May	\$405.12				
June	\$372.70				
July	\$292.60				
August	\$187.16				
September	\$354.22				
October	\$410.52				
November	\$323.89				
December	\$501.25				

How to calculate:

Balance = previous month's new balance + new month's charges

Finance Charge = payment x monthly periodic rate (17.9 ÷ 12)

Ending balance = balance - payment + finance charge

Consumer Fraud and Identity Theft

Anyone can take advantage of you financially—businesses, hackers, and even the people you hire to handle your money. The Certified Financial Planners (CFP) Board reports that 30 million Americans are victims of consumer fraud each year. The CFP issued a financial self-defense guide to help consumers be aware of red flags or those situations that require more investigation or action on your part. Go to http://www.cfp.net/docs/publications/cfpboard_consumer_guide_to_financial_self-defense.pdf?sfvrsn=5 and read about the red flags they outline. Pick out four red flags and write a scenario where that red flag would tip you off to a problem.

Red Flag number _____

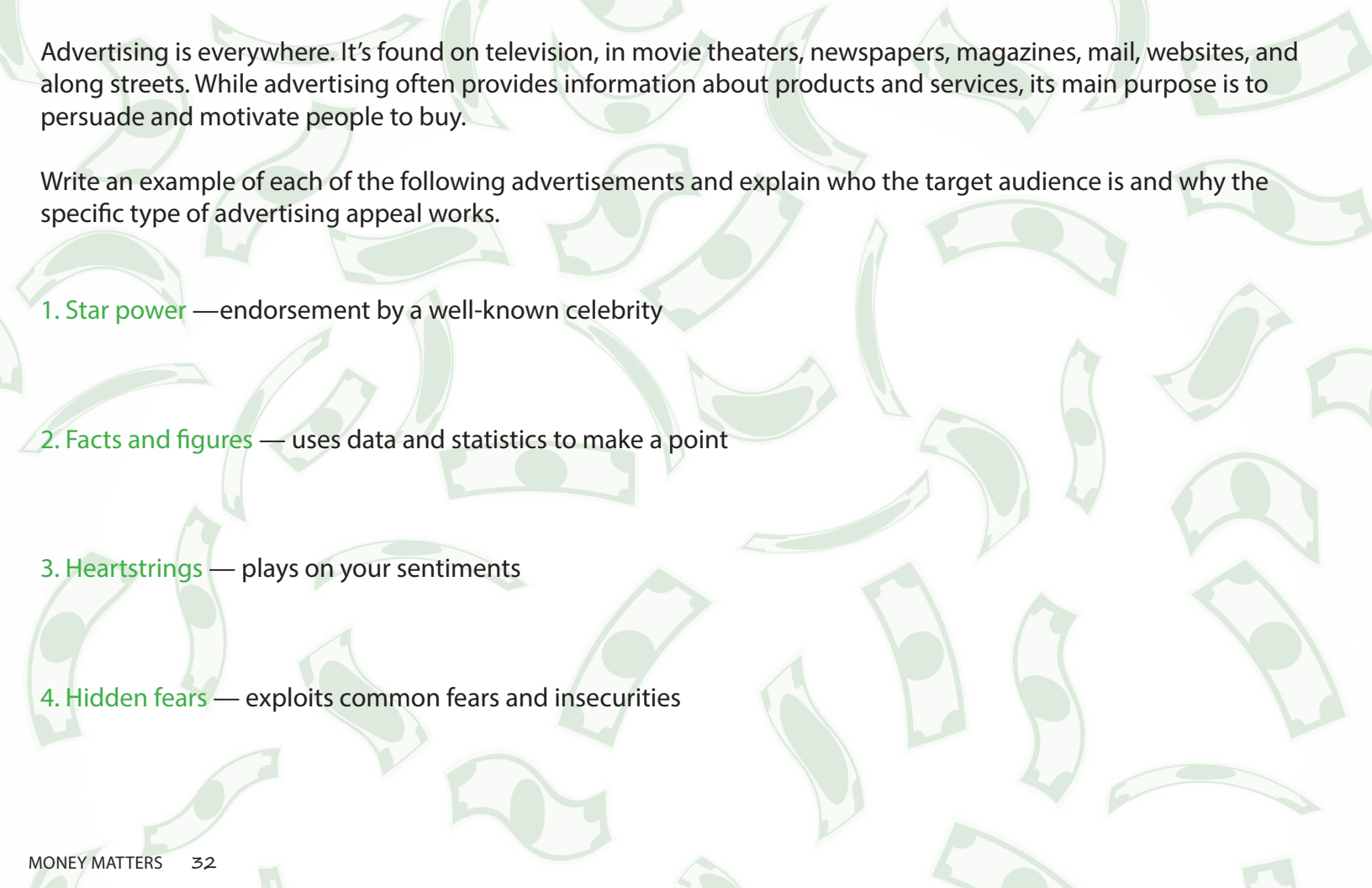
Scenario:

Red Flag number _____

Scenario:

Red Flag number _____
Scenario:

Red Flag number _____
Scenario:

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Advertising is everywhere. It's found on television, in movie theaters, newspapers, magazines, mail, websites, and along streets. While advertising often provides information about products and services, its main purpose is to persuade and motivate people to buy.

Write an example of each of the following advertisements and explain who the target audience is and why the specific type of advertising appeal works.

1. **Star power** — endorsement by a well-known celebrity
2. **Facts and figures** — uses data and statistics to make a point
3. **Heartstrings** — plays on your sentiments
4. **Hidden fears** — exploits common fears and insecurities



5. **Puffery** — exaggerated descriptions or claims

6. **Testimonial** — gives the appearance of personal experience

7. **Bandwagon** — suggests that everyone has this or does this

8. **Secret** — suggests a magic or secret ingredient

9. **Plain folks** — person “talks” to audience as a regular person

10. **Perfect people** — portrays perfect people with perfect lives that consumers will want

Identity Theft

Identity theft happens when someone takes another person's personal information, usually identifying information such as date of birth, social security number, credit card information, etc. The identity theft can be the result of a stolen or lost wallet containing ID and credit cards, bank and card statements that are stolen from a mailbox, credit card skimming, and even unshredded statements found in the trash.

Write three things you can do to help prevent someone from stealing your identity.

First thing I can do to help protect my identity:

Second thing I can do to help protect my identity:

Third thing I can do to help protect my identity:

Acquiring a Home

There are many things to consider before renting an apartment, including the location, size, whether utilities are included, and extra costs. Emma is looking for an apartment to rent. Ideally, she would like something close to the college campus where she attends classes and works part-time. Her annual housing budget, including utilities, is \$8,200. Emma finds four apartments to look at in the ads. Help Emma find the best apartment to fit her needs.

The average utility costs in Emma's area are:

all-electric apartments: \$125 a month

electric/gas combination: \$85 for electricity; \$35 for gas
water: \$15 a month

Apartment 1

1 BR (bedroom) includes electricity only (electric/gas apt.) for \$595 a month. First half month free.

Monthly rent: _____ Annual rent: _____

Monthly utilities: _____ Annual utilities: _____

Monthly total: _____ Annual total: _____

Apartment 2

Studio apartment all-electric, but no utilities paid for \$450 a month.

Monthly rent: _____ Annual rent: _____

Monthly utilities: _____ Annual utilities: _____

Monthly total: _____ Annual total: _____

Apartment 3

1 BR (all electric), all utilities paid for \$625 a month. First month free.

Monthly rent: _____ Annual rent: _____

Monthly utilities: _____ Annual utilities: _____

Monthly total: _____ Annual total: _____

Apartment 4

Extra large 1 BR, (electric/gas apt) only water paid for \$525 a month, but is across town. Emma estimates commuting costs to be \$25 a month.

Monthly rent: _____ Annual rent: _____

Monthly utilities: _____ Annual utilities: _____

Commuting cost: _____ Commuting cost: _____

Monthly total: _____ Annual total: _____

Which apartment do you think Emma should rent? Why?

Mortgages

In many cases, mortgages cost more at the beginning than renting, but cost less in the long run, particularly with the tax breaks available to homeowners. It's important to know what you can afford. Lenders often decide on the amount of a mortgage by looking at the gross income of a household. Generally, monthly mortgage payments (principal, interest, taxes) should be about 25 to 29 percent of gross income. In cases where there is no debt (this includes car loans), some financial institutions may loan slightly more. While banks vary and you want to look at the whole picture, use the standard formula of three times the amount of your gross income as the amount of your mortgage.

Housing Budget Formula

1. Divide the loan amount by 1,000. For example, a \$90,000 loan divided by 1000 is equal to 90.
2. Locate the interest rate for the loan.
3. Multiply the "monthly amount per \$1,000" by the answer you had in Step 1. That is the monthly payment.

MONTHLY PAYMENT PER \$1,000 FOR 30-YEAR MORTGAGE AT FIXED RATE

Interest rate	Monthly payment per \$1,000	Interest rate	Monthly payment per \$1000
4%	\$4.77	8%	\$7.34
4-1/2%	\$5.07	8-1/2%	\$7.69
5%	\$5.37	9%	\$8.05
5-1/2%	\$5.68	9-1/2%	\$8.41
6%	\$6.00	10%	\$8.77
6-1/2%	\$6.32	10-1/2%	\$9.15
7%	\$6.65	11%	\$9.52
7-1/2%	\$6.99	11-1/2%	\$9.90

Calculate mortgage budgets according to housing budget guidelines and formulas. Unless otherwise stated, assume that all the following will pay a 10% down payment and the loan will be for 30 years.

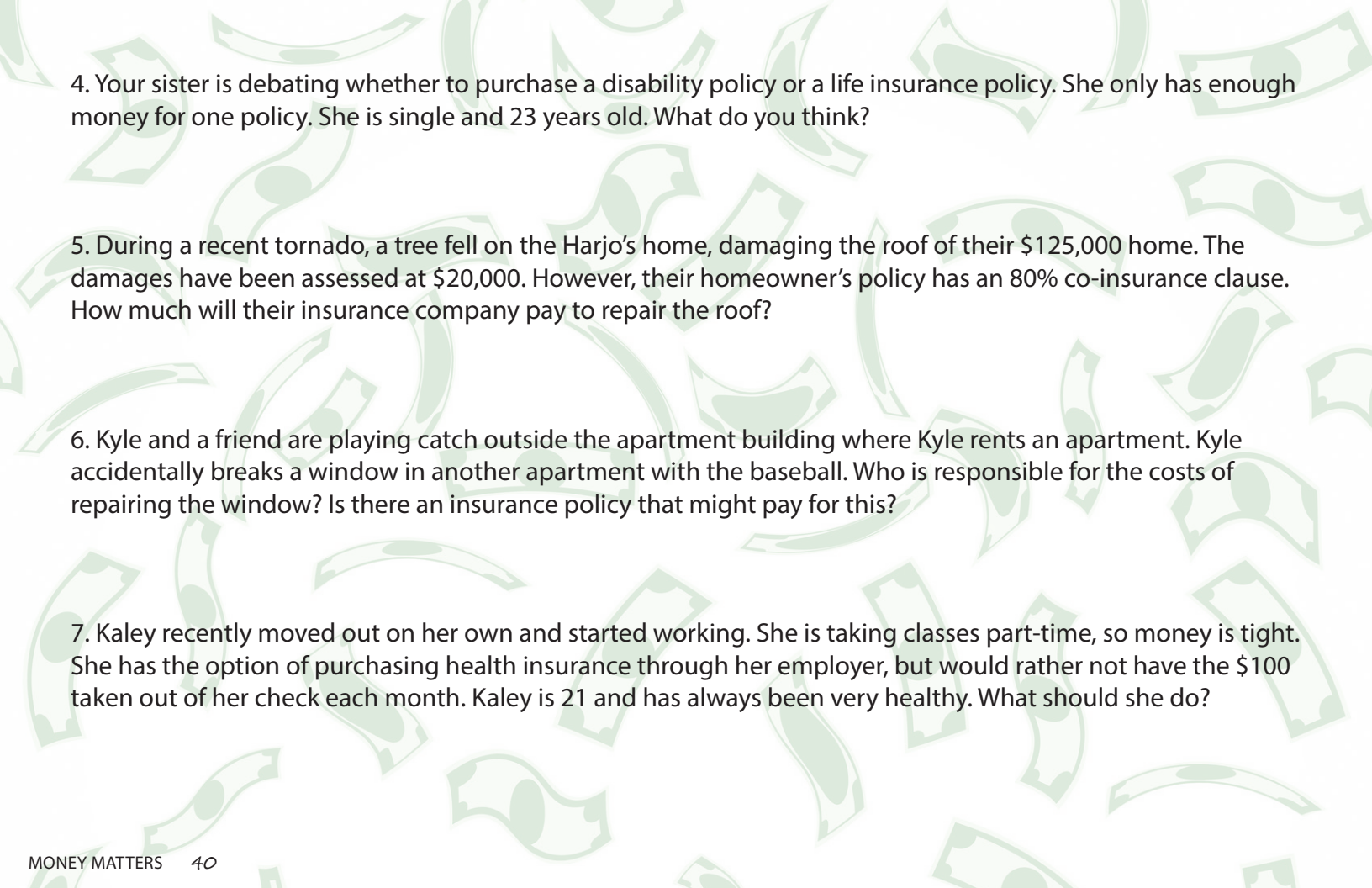
1. Jerry's gross annual income is \$58,000. How much home can he afford? After the down payment, what would the loan amount be? With a home loan at 8% interest, what would his monthly payments be?
2. The Albertsons' combined income is \$81,000 per year. They're looking at a \$199,000 home. Their credit union is offering home loans at 5-1/2% interest but requires a 20% down payment. How much would the loan be and how much are the monthly payments? In your opinion, would this be a good loan for the Albertsons?
3. Jackie is looking at a fixer-upper that is only \$50,000. After a 10% down payment, her monthly payments would be \$378.45. What is the interest rate?
4. The Szalkowski's have a combined \$100,000 gross income and qualify for a VA loan at 6% interest with no down payment required. What price range should they be looking in for a home? What would their monthly payments be?

Managing Risk

Insurance provides financial protection against loss or damage of belongings or your ability to maintain a standard of life. It can be a way of limiting your risk. Risk can mean different things, based on whether you're referring to investments or insurance. Ultimately, it refers to financial loss. With investments, it's the risk that your investment will decrease in value. But sometimes things happen in our lives that can lead to financial loss, such as when we lose property, accidentally harm people or their property, are unable to work due to health or disability, or loss of life. Risk management is a way of limiting financial losses with a well thought-out plan.

Read the following scenarios, and tell what you would recommend and why.

1. Maya lives in a gated apartment community. As a graphic artist who works from home, she has computers, a scanner, printers, and other electronic equipment she uses in her work. Because she lives in a gated community, she doesn't think she needs renter's insurance. What do you think, and why?
2. Luis recently bought a new sports car. Because his car payments are high, he would like to pay the minimum on insurance required—the liability. What would you recommend to Luis?
3. Your uncle owns his house and is thinking of dropping the homeowner's insurance policy to save some money. What do you think?



4. Your sister is debating whether to purchase a disability policy or a life insurance policy. She only has enough money for one policy. She is single and 23 years old. What do you think?

5. During a recent tornado, a tree fell on the Harjo's home, damaging the roof of their \$125,000 home. The damages have been assessed at \$20,000. However, their homeowner's policy has an 80% co-insurance clause. How much will their insurance company pay to repair the roof?

6. Kyle and a friend are playing catch outside the apartment building where Kyle rents an apartment. Kyle accidentally breaks a window in another apartment with the baseball. Who is responsible for the costs of repairing the window? Is there an insurance policy that might pay for this?

7. Kaley recently moved out on her own and started working. She is taking classes part-time, so money is tight. She has the option of purchasing health insurance through her employer, but would rather not have the \$100 taken out of her check each month. Kaley is 21 and has always been very healthy. What should she do?

Gambling

In some instances of gambling, such as dice, there is no way to improve probability. Throwing everything but two's doesn't increase your chances of throwing two's the next time. It is based on probability, which is shown as the odds. The odds almost always will favor the "house" or the establishment that is providing the opportunity for gambling. Therefore, gamblers always bet against the odds. Some gamblers try to use statistics based on probability to improve their chances of winning. Sometimes it works; sometimes it doesn't. Remember, gambling is also referred to as "games of chance."

Supplies

Two die

Playing cards

Coin

Try these games of chance. Be sure to write down your results.

1. Roll the two dice six times. You're looking for either a six or doubles of any number. What happens with the six rolls? If you don't get both a six and doubles during the six tries, keep trying until you get both a six and doubles. How many tries did it take? Can you make any predictions about dice?

2. Shuffle a deck of 52 cards. Lie them face down. For each trial, pick the top three cards from the deck. Complete the chart below, filling in the cards you picked. Figure the totals and averages.

Type of Card	Red Cards	Black Cards	Face Cards	Spades	Aces	Queen of Diamonds
Number in deck	26	26	12	13	4	1
Trial 1						
Trial 2						
Trial 3						
Trial 4						
Trial 5						
Totals						
Averages						

What predictions can you make or what can you say about probability based on your five trials? Test your theory with the remaining cards.

The background of the page is a repeating pattern of stylized green banknotes, possibly representing US dollar bills, scattered across the entire surface. The bills are shown in various orientations and positions, creating a textured, money-themed background.

3. Flip a coin 10 times. On each flip, write down whether you got heads or tails. After the 10 flips, look at the results. Was there a pattern? If there was, make a prediction about what the next flip will be. Are you correct?

4. What conclusions can you draw from the three games you played?

Credit Woes

How much debt is too much debt? Your debt load is all the money you owe for credit cards and loans. In general, you have too much debt if you have trouble meeting all your normal expenses in addition to loan or credit card payments. Another sign may be if you can only afford to make minimum payments on credit card bills. A more objective way of looking at whether debt is a problem is by calculating the **debt payments-to-income ratio** (DPR), which is **monthly debt payments divided by monthly net income**. This is one of the numbers that financial institutions look at when deciding whether to grant a loan or credit. It's recommended that monthly debt not be more than 20% of your monthly net income. Here's the DPR formula:

$$\frac{\text{monthly debt payments}}{\text{monthly net income}}$$

Calculate the following DPR percentages. Debt includes all non-housing debt, including student loans and loans from family. Round off to the nearest whole number.

1. What is the DPR for a monthly net income of \$1000 and monthly debt payments of \$342?
2. What is the DPR for monthly debt payments of \$225 and a monthly net income of \$1200?



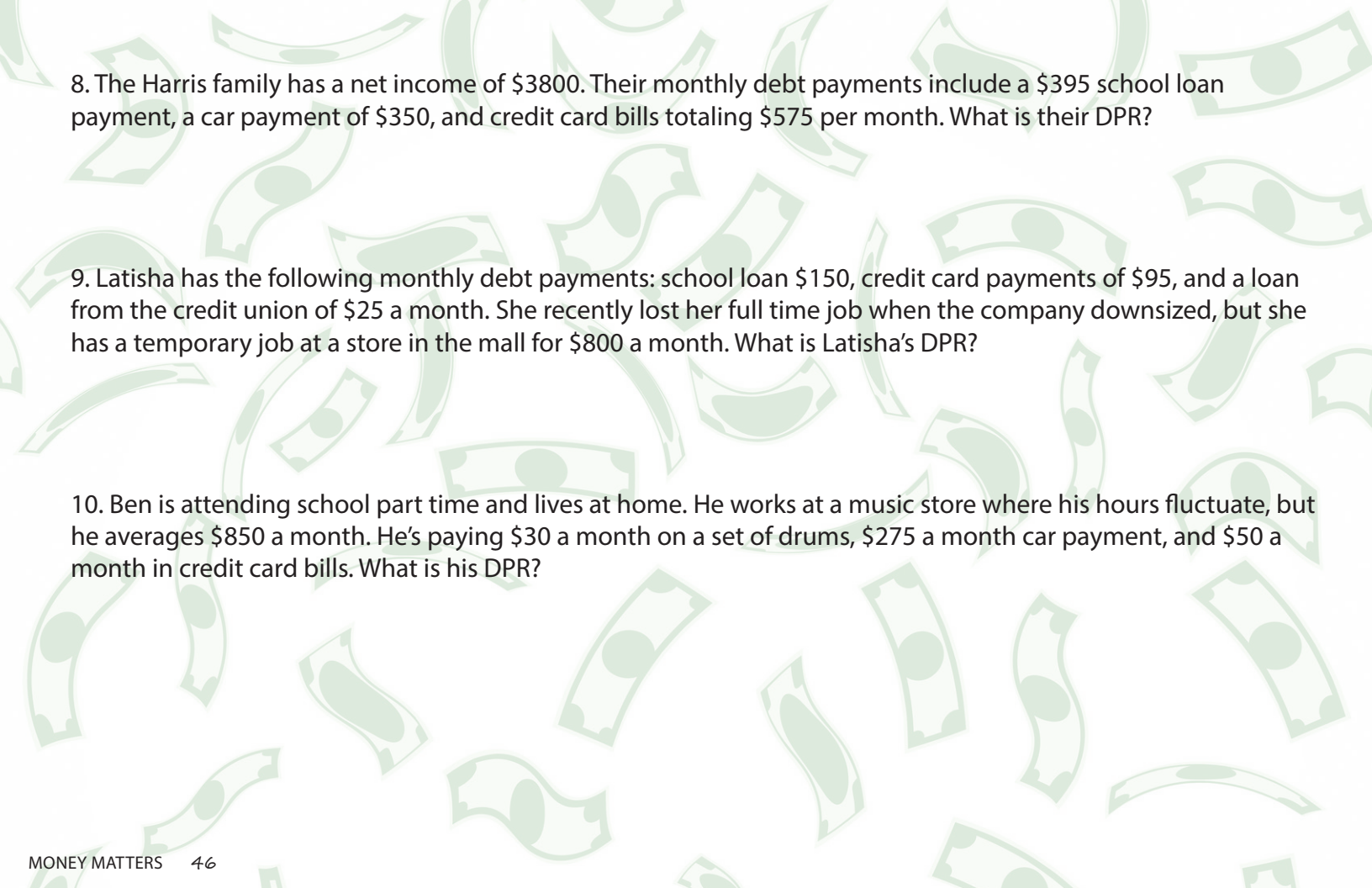
3. What is the DPR for monthly debt payments of \$205 and a monthly net income of \$810?

4. What is the DPR for a monthly net income of \$2500 and monthly debt payments of \$525?

5. What is the DPR for a monthly net income of \$3225 and monthly debt payments of \$415?

6. Holly's monthly net income is \$1515 each month. She pays \$125 for a student loan, \$275 for a car payment, and \$75 in a credit card. What is her DPR?

7. Colton has a \$300 truck payment each month. He's also making a house payment of \$625, one credit card at \$30 a month and another at \$50 a month. He's also paying his parents back on truck repairs at \$25 a month. Colton's monthly net income is \$1825. What is his DPR?



8. The Harris family has a net income of \$3800. Their monthly debt payments include a \$395 school loan payment, a car payment of \$350, and credit card bills totaling \$575 per month. What is their DPR?

9. Latisha has the following monthly debt payments: school loan \$150, credit card payments of \$95, and a loan from the credit union of \$25 a month. She recently lost her full time job when the company downsized, but she has a temporary job at a store in the mall for \$800 a month. What is Latisha's DPR?

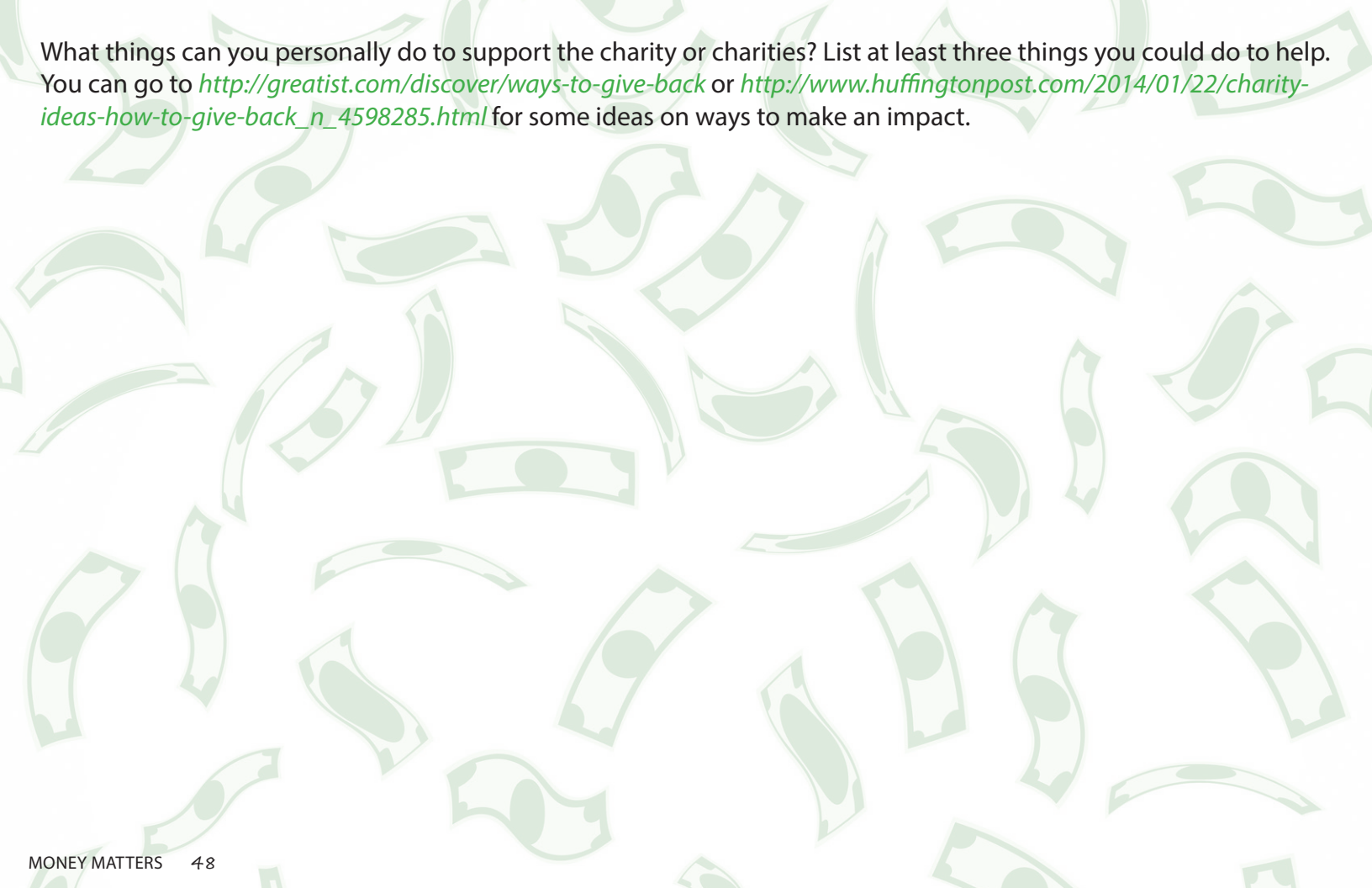
10. Ben is attending school part time and lives at home. He works at a music store where his hours fluctuate, but he averages \$850 a month. He's paying \$30 a month on a set of drums, \$275 a month car payment, and \$50 a month in credit card bills. What is his DPR?

Giving Back

There are many ways to give back. You can donate time, money, and items. There are various ways to do these things as well. For example, you have a canned food drive at school to help the local food bank. You could participate in a walk-a-thon for a favorite cause. You could set aside a percentage of your paycheck to donate to a charity or worthy entity. You could help cook and/or serve food at a shelter or soup kitchen. You could volunteer your time to walk dogs at the local animal shelter. You could donate blood. There are so many ways to give back.

One of the first things you need to do is identify a cause you want to support. Then, check with the charity or entity to see how you can assist.

What charity or charities would you like to support? Why do you want to support them?

The background of the page is a repeating pattern of stylized, light green banknotes falling from the top. The banknotes are depicted in various orientations and positions, creating a sense of motion and abundance. They are semi-transparent, allowing the text to be clearly visible over them.

What things can you personally do to support the charity or charities? List at least three things you could do to help. You can go to <http://greatist.com/discover/ways-to-give-back> or http://www.huffingtonpost.com/2014/01/22/charity-ideas-how-to-give-back_n_4598285.html for some ideas on ways to make an impact.

The background of the page is a repeating pattern of stylized green banknotes, likely representing one-dollar bills, scattered across the entire surface. The notes are rendered in a light green color with darker green accents for the serial numbers and the central emblem.

Answers for activities in this publication may be found in the document titled
"Money Matters answers.pdf."

For even more financial literacy information, check out our
Personal Financial Literacy curriculum and other great resources. Access our online catalog at
<http://store.okcimc.com/family-consumer-sciences-education/all-products.html>



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