



for Young People Grades 9 – 12 Educator Guide

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Caution: Coins are a leading cause of choking-related injury and death for young children, particularly for those aged 3 and under.

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Welcome to *Money Smart*

Welcome to *Money Smart*, an exciting interactive exploration of the concepts of money. This standards-aligned, cross-curricular program is designed to promote personal financial education in grades 9 through 12 students and young adults aged 18 to 20. You can use *Money Smart* to add engaging and enriching activities to financial literacy and economics instruction. Extension activities support English Language Arts, Math, Social Studies and Economics, and Technology, while also helping your students build the foundation to become financially responsible adults.

In *Money Smart* you will find:

- **Twenty-Two Lessons** with hands-on, cross-curricular activities that engage ninth- through twelfth-grade students and young adults aged 18 to 20 in discussing and exploring key financial concepts
- **Teacher Presentation Slides**, which provide helpful visuals, as well as challenge exercises and reflective prompts to support the activities in each lesson
- A **Student Guide** with handouts, worksheets, and resources that let students explore the topics covered in each lesson and apply their new knowledge
- A **Parent/Caregiver Guide** with information about topics being covered in class, conversation starters, online and literary sources, along with conversation starters and family activities to try together

Developing positive financial habits equips students with 21st century skills and tools that last a lifetime. We hope you and your students enjoy learning about money and its many uses.

We are eager to hear from you about how you use this curriculum. We would like to know what works well and what could be improved to make *Money Smart* even better. If you have any questions, we would like to help. Please contact us with your comments and questions via e-mail at **communityaffairs@fdic.gov**.

Getting Started

Money Smart provides a comprehensive, developmentally appropriate program for young students to build an understanding of key financial concepts.

There are many features that help make the **Money Smart** curriculum engaging, motivating, and easy to use. Each lesson includes learning objectives, essential questions, supplies needed, and preparation required, as well as the following features and components to support easy integration of **Money Smart** activities into your instructional day.

STANDARDS

Each lesson promotes real-world connections through student-centered learning experiences and aligns to the following education standards and learning outcomes, including Common Core State Standards in mathematics and English Language Arts. The **Education Standards Chart** identifies which standards are met in each lesson.

- Financial Literacy Jump\$tart Standards
- English Language Arts Common Core State Standards
- Mathematics Common Core State Standards
- National Standards in Economics by Council for Economic Education
- Partnership for 21st Century Skills

GRADE LEVEL MODIFICATIONS

Please note the modifications identified throughout the lessons to differentiate learning experiences for beginner and advanced students. Modifications provide developmentally appropriate activity recommendations and extension opportunities, as well as provide multiple ways for students to explore concepts, express understanding, and engage in the activities. In addition to these specific modifications, teachers can also use the following strategies, all of which are in line with Universal Design for Learning principles, to ensure that the content meets individual learners' needs.

Strategies for Representation: The “what” of learning

- **Connect to background knowledge:** Use brainstorming, visuals, and warm-up activities to explore students' prior knowledge and highlight relationships to lesson topics.
- **Thinking Beyond the Text:** Review and model the process of notetaking going through the steps of listening or reading critically, recording key facts or ideas, outlining plot or structure, and synthesizing information for a variety of resources (film, articles, websites, lectures). Students may use graphic organizers to document inferences and connections they make.
- **Graphic Organizers:** Use charts, budget templates, and visual representations to support students in examining saving, spending, and other topics. Graphic organizers can be partially filled in or completed as a group to further support learners

Strategies for Expression: The “how” of learning

- **Role Play to Solve a Problem:** Have students take the stage to physically model and solve problems together. Students may pretend to be the character from an activity scenario or work with classmates to visually represent math with items from class.
- **Visual Aids:** Provide images, infographics, and pictures to support students in math comprehension. Visual aids can be used to make problems more concrete, to model formulas, as well as to give context for new concepts
- **Problem Solving Checklist:** Have students create and use a prioritized sequence of steps to solve simple or complex math challenges. The sequence of steps could be based on order of operations or focus on word problem solution steps (read, underline key details, draw a picture, write a number sentence, solve, check work).

Strategies for Engagement: The “why” of learning

- **Goal Setting:** Have students create and use a prioritized sequence of steps to solve simple or complex math challenges. The sequence of steps could be based on order of operations or focus on word problem solution steps (read, underline key details, draw a picture, write a number sentence, solve, check work).
- **Think-Pair-Share:** Have students collaborate by individually answering a question or challenge (think), discussing responses with a peer (pair), and synthesizing learning with the whole class (share).
- **Flexible Groups:** Use a variety of grouping strategies to help students learn and grow within their network of peers. Groups may be based on readiness, interests, or classroom community. It is important to test out a variety of approaches to find the best fit for students. For each grouping strategy, take time to set expectations and practice routines with students. Possible grouping strategies include:
 - Multi-grade peer-to-peer, where students can mentor and support peer mastery.
 - Small groups of 3-5 students with assigned roles such as reader, recorder, presenter, discussion leader, questioner, or checker.
 - Same grade partners/pairs, where students collaborate and reflect with a friend.

PRESENTATION TIME

Each lesson plan includes an estimated time needed to teach the lesson. Actual time required will vary classroom to classroom. The estimation includes time spent on the **Warm Up, Guided Exploration, Independent Exploration, and Wrap Up**. Activities may also be taught as several short lessons over a period of days or weeks. **Extended Exploration** activities are included to extend financial literacy learning opportunities throughout the year and provide easy ways to integrate the topics into various content areas.

ASSESSMENTS

A variety of assessments will be integrated throughout each of the twenty-two lessons. Assessments are designed to build value, meaning, and context around a topic, while providing teachers with opportunities to evaluate prior student knowledge, and collect evidence of their new understandings of lesson concepts and skills. Pre- (formative) and post- (summative) assessments are noted on the first page of each lesson. Assessments include discussions, reflections, questions and answers, reading, writing, and problem-solving exercises. Student handouts are an especially useful form of written assessment.

LESSON STRUCTURE

Each lesson is designed to include the following:

- **Warm Up** introduces students to the topic and sparks inquiry.
- **Guided Exploration** integrates key financial literacy learning objectives with teacher support and guidance. Through whole-class discussions and activities, students discuss key topics and begin connecting the concepts to the context of their own lives.
- **Money Smart Tips** are provided throughout lessons to offer additional guidance, interesting and relevant financial facts, and additional ideas to help make Money Smart a success in your classroom.
- **Independent Exploration** activities are designed to engage students in the process of learning through individual discovery, research, and interpretation. These activities are more independent than the Guided Exploration activities and may also be used as homework assignments, for collaborative group work, or independent study.
- **Wrap Up** provides a reflection question or activity to review lesson concepts and allow students to demonstrate their understanding.
- **Extended Exploration** provides teachers with additional opportunities to extend financial literacy concepts throughout the school year within core content areas including English Language Arts and Math. Activities can be completed as a class, in small groups, or by students individually. Useful resources (such as books, web links, games, or videos) are also included to promote even more student engagement. The books and online resources suggested in this guide are just a few of the many available resources that explore these topics, and are not endorsed by the FDIC.
- **Student Handouts** (found after the **Answer Key**) and **Teacher Presentation Slides** provide dynamic instructional support. Student handouts create an opportunity for students to apply their knowledge and for teachers to assess their understanding. Teacher presentation slides offer visuals and interactive activities corresponding with lessons.
- The **Answer Key**, **Glossary**, and **Standards Chart** house all of the information needed to check for understanding, define key terms, and check which activities meet specific education standards. Vocabulary words are **bolded** in each lesson as they are introduced. It may be helpful to distribute copies of the entire glossary to students as a reference.

MONEY SMART AT HOME

The **Money Smart** curriculum includes a helpful **Parent/Caregiver Guide** that corresponds to the classroom materials. Families may also use it independently of the curriculum. It contains resources, activities, games, and conversation starters on financial literacy topics covered in each lesson. Use the following ideas to encourage parents to use the guide at home:

- Introduce parents to the **Money Smart** program and share the **Parent/Caregiver Guide** at the start of the school year.
- Discuss the **Money Smart** program during parent/teacher conferences, or in monthly parent newsletters home, and the importance of building healthy financial habits early on in life.
- Hold a **Money Smart** family night. Play games and have students share short skits about financial concepts they have learned.
- Send student handouts from each lesson home in homework folders for parents to review and sign.

MONEY SMART PORTFOLIO

To promote positive financial behaviors and demonstrate the compounding knowledge of financial literacy skills developed throughout the Money Smart curriculum program, introduce the Money Smart Portfolio into your classroom. The Money Smart Portfolio is a semester-long project that collects student handouts and activities from each lesson to be presented as a final portfolio.

The portfolio creation recognizes students' financial growth throughout each phase of the learning process. The portfolio also enables students to walk away with a comprehensive resource that may be referred back to anytime a financial question arises in their futures. Using the **Money Smart Portfolio** as a semester-long project also gives students a long-term goal to work toward, while enabling an excellent opportunity for final assessment.

Money Smart Portfolio is designed for the following purposes:

- Assess student understanding from each phase of the program
- Create opportunities for final student self-reflection and personal assessment
- Reaffirm for students the intrinsic nature of financial skills and how one skill and strategy leads to another
- Build long-term vision for students to invest in the program from beginning to end

FINANCIAL LITERACY ALL YEAR LONG

Highlight financial literacy at your school all year long, especially in April, during National Financial Literacy Month and School Library Month.

- Create bulletin boards or posters with students about financial literacy themes learned in ***Money Smart***
- Create a class or school newsletter with students to distribute to the school community about money skills and financial concepts covered in class.
- Publish student handouts and activities from the ***Money Smart*** lessons by sharing them on a classroom blog, website, or through social media.
- Display student work in the classroom, library, and hallways to spread financial literacy throughout the school community.
- Connect with other teachers to integrate real-world applications of financial literacy across all disciplines and classrooms, from Math to English Language Arts and Technology courses.
- The more that students are exposed to financial literacy, and the more opportunity they have to practice applying their new knowledge and understanding of concepts, at school and at home, the more prepared they will be to live ***Money Smart*** lives.

At a glance

Lesson Title	Topic	Learning Objectives	Time Required
1. Working Hard for the Money	Career Options	- Identify career options and education or training required for different careers - Name sources of income - Explain the relationship between income and taxes - Demonstrate how to research and analyze different careers	55 min Session 1: Warm Up and Guided Exploration (25 min) Session 2: Independent Exploration and Wrap Up (30 min)
2. Designing Dreams	Financial Planning	- Determine personal values and financial goals - Determine personal financial decisions - Create a financial plan - Summarize the purpose of financial planning	50 min Session 1: Warm Up and Guided Exploration (25 min) Session 2: Independent Exploration and Wrap Up (25 min)
3. Can You Pay Your Bills?	Spending and Budgeting	- Develop a plan for spending and saving - Create a system for keeping financial records - Identify personal income and expenses or system for cash flow management	50 min Session 1: Warm Up and Guided Exploration (30 min) Session 2: Independent Exploration and Wrap Up (20 min)
4. Boost Your Savings	The Importance of Saving	- Describe how savings affects financial well-being - Explain compound interest - Identify and research savings products - Explain how interest is computed on savings	50 min Session 1: Warm Up and Guided Exploration (25 min) Session 2: Independent Exploration and Wrap Up (25 min)

Lesson Title	Topic	Learning Objectives	Time Required
5. Bank Your Bucks	Choosing a Banking Partner	- Analyze different financial institutions and conduct a comparative analysis of each institution - Explain the key differences between checking and savings accounts - Demonstrate how to control personal information - Understand the benefits of using federally insured financial institutions	80 min Session 1: Warm Up and Guided Exploration (35 min) Session 2: Independent Exploration and Wrap Up (45 min)
6. Bread-and-Butter	Managing Your Paycheck	- Decode and identify elements of a paycheck - Discuss how taxes, personal exemptions, and deductions impact net pay - Explain how to calculate gross and net income - Discuss the IRS Form W-4	60 min Session 1: Warm Up and Guided Exploration (40 min) Session 2: Independent Exploration and Wrap Up (20 min)
7. Capacity, Character, Collateral, Capital	Credit	- Define creditworthiness - Evaluate positive and negative types of credit - Explain credit factors and risks and how credit scores work - Discuss how to maintain or increase credit score - Explain how credit is damaged	70 min Session 1: Warm Up and Guided Exploration (40 min) Session 2: Independent Exploration and Wrap Up (30 min)

Lesson Title	Topic	Learning Objectives	Time Required
8. The Almighty Dollar?	Credit Cards	▪ Identify how credit cards differ from debit cards ▪ Discuss different types of credit cards ▪ Summarize credit card key terms and conditions and consumer protection laws ▪ Evaluate credit card offers and explain how to manage a credit card ▪ Demonstrate how to compute the debt-to-limit ratio	65 min Session 1: Warm Up and Guided Exploration (30 min) Session 2: Independent Exploration and Wrap Up (35 min)
9. As Easy as Pi	Financial Ratios	▪ Identify common financial ratios ▪ Demonstrate and explain how to calculate financial ratios ▪ Discuss how financial ratios impact financial decision making and creditworthiness	50 min Session 1: Warm Up and Guided Exploration (25 min) Session 2: Independent Exploration and Wrap Up (25 min)
10. Convertible or Clunker?	Automobile Purchase	▪ Research and investigate secured and unsecured installment loans ▪ Calculate how much car to afford ▪ Evaluate long-term costs associated with buying a car, including insurance and maintenance ▪ Explain the difference between leasing and purchasing	70 min Session 1: Warm Up and Guided Exploration (30 min) Session 2: Independent Exploration and Wrap Up (40 min)

Lesson Title	Topic	Learning Objectives	Time Required
11. Risky Business	Risk Management and Insurance	▪ Identify common risks and strategies to reduce risk ▪ Explain the purpose and importance of various insurance types ▪ Recognize when insurance is needed and how to get it	65 min Session 1: Warm Up and Guided Exploration (35 min) Session 2: Independent Exploration and Wrap Up (30 min)
12. Halls of Knowledge	Financing College	▪ Identify the costs of college ▪ Discuss student loan management ▪ Research and compare different college financial aid choices ▪ Discuss the earning potential of a degree in relationship to its cost	80 min Session 1: Warm Up (15 min) Session 2: Guided Exploration: (35 min) Session 3: Independent Exploration and Wrap Up (30 min)
13. The Policy of Personal Choice	Understanding the Economy	▪ Understand how the economy impacts personal financial choices ▪ Summarize monetary and fiscal policy ▪ Understand inflation ▪ Understand economic cycles	55 min Session 1: Warm Up and Guided Exploration (30 min) Session 2: Independent Exploration and Wrap Up (25 min)

Lesson Title	Topic	Learning Objectives	Time Required
14. Increasing the Value of Your Money	Financial Markets and Investing	▪ Understand how investing helps meet financial goals and build wealth over time ▪ Research and evaluate investment vehicles and resources ▪ Explain how investments are regulated ▪ Explain how investments can be impacted by economic and business cycles	65 min Session 1: Warm Up and Guided Exploration (35 min) Session 2: Independent Exploration and Wrap Up (30 min)
15. Road to Retirement	Retirement Planning	▪ Explain how long-term retirement savings through investing builds wealth ▪ Identify differences in retirement planning strategies ▪ Create a retirement plan ▪ Understand Social Security benefits	70 min Session 1: Warm Up and Guided Exploration (35 min) Session 2: Independent Exploration and Wrap Up (35 min)
16. Crash Pad	Homeownership and Renting	▪ Explain the responsibilities and expenses of renting versus owning ▪ Analyze renting versus homeownership ▪ Evaluate sound financial decision making for renting and owning property ▪ Discuss costs related to homeownership ▪ Discuss how homeownership can create wealth ▪ Understand the mortgage approval process	60 min Session 1: Warm Up and Guided Exploration (35 min) Session 2: Independent Exploration and Wrap Up (25 min)

Lesson Title	Topic	Learning Objectives	Time Required
17. Pocket Giving	Charitable Giving	▪ Evaluate charitable giving ▪ Analyze monetary and nonmonetary forms of giving ▪ Create a spending plan to include giving ▪ Discuss tax deductions for giving	55 min Session 1: Warm Up and Guided Exploration (20 min) Session 2: Independent Exploration and Wrap Up (35 min)
18. Paving the Future	Estate Planning	▪ Identify elements of an estate plan ▪ Evaluate how to title property ▪ Explain the importance of a will ▪ Understand the consequences of not having an estate plan	50 min Session 1: Warm Up and Guided Exploration (30 min) Session 2: Independent Exploration and Wrap Up (20 min)
19. Financial Sleuth	Financial Resources	▪ Demonstrate how to find and use financial resources ▪ Differentiate between credible and dishonest financial resources ▪ Define and explain the role of a financial planner ▪ Understand federal and state consumer protection laws and self-regulatory organizations	60 min Session 1: Warm Up and Guided Exploration (25 min) Session 2: Independent Exploration and Wrap Up (35 min)
20. Protect Yourself	Consumer Protection	▪ Explain identity theft ▪ Evaluate consumer rights and protection laws ▪ Demonstrate how to protect personal information	70 min Session 1: Warm Up and Guided Exploration (35 min) Session 2: Independent Exploration and Wrap Up (35 min)

Lesson Title	Topic	Learning Objectives	Time Required
21. Launching Your Dream	Entrepreneurship 1: Starting a Business	▪ Identify and consider risks and rewards of entrepreneurship ▪ Evaluate business start-up practices ▪ Explain how entrepreneurship and innovation are a source of economic growth ▪ Identify the types of business organizations (sole proprietorship, corporations, LLC, and so on)	80 min Session 1: Warm Up and Guided Exploration (35 min) Session 2: Independent Exploration and Wrap Up (45 min)
22. Maintenance Mode	Entrepreneurship 2: Maintaining a Business	▪ Understand and describe tax planning and reports ▪ Debate business management strategies ▪ Explain insurance choices for businesses	75 min Session 1: Warm Up and Guided Exploration (30 min) Session 2: Independent Exploration and Wrap Up (45 min)

Glossary

401k: A plan offered through an employer that gives employees a choice of investment options, typically mutual funds, to save a portion of their salary for retirement.

403b: A plan offered to employees of public schools, certain non-profits, and some members of the clergy to set aside money for retirement.

Annual Percentage Rate (APR): The cost of borrowing money on a yearly basis, expressed as a percentage rate. For example: a \$100 loan repaid in its entirety after one year with a \$10 finance charge has an APR of 10%.

Annual Percentage Yield (APY): A percentage rate reflecting the total amount of interest paid on a deposit account based on the interest rate and the frequency of compounding for a year. For example: a \$1,000 investment that earns 6% per year pays \$60 at year-end and has an APY of 6%.

Asset: An item with economic value, such as stock or real estate.

Auto Insurance: A contract between you and an insurance company in which you agree to pay a fee (premium) and in return, the insurance company agrees to pay for certain expenses associated with an accident or other covered losses on your vehicle. (See also Insurance.)

Automated Teller Machine (ATM): A machine, activated by a magnetically encoded card or an EMV chip that can process a variety of banking transactions. These include accepting deposits and loan payments, providing withdrawals, and transferring funds between accounts.

Balance Sheet: A summary of a company's assets, liabilities, and shareholders' equity.

Bank: A financial institution and business that accepts deposits, makes loans, and handles other financial transactions.

Bank Teller: A bank employee who handles routine transactions, such as deposits in or withdrawals from a bank account.

Beneficiary: Someone who is designated to receive certain benefits after the death of another individual.

Bonds: A debt security, similar to an "IOU". When you buy a bond, you are lending money to the issuer in exchange for the issuer's promise to pay you a specified rate of interest and to repay the principal when it "matures," or comes due.

Branch Manager: A bank employee that supervises bank operations at a branch location.

Budget: A plan that outlines what money you expect to earn or receive (your income) and how you will save it or spend it (your expenses) for a given period of time; also called a spending plan.

Capacity: Refers to your ability to repay a loan and other debts.

Capital: Refers to the value of your assets and your net worth.

Career: The type of work a person pursues for the majority of their life that may involve formal education, special training, or be within a specific industry.

Cash Flow: The amount of money flowing in (income) and flowing out (expenses) of a personal budget.

Cash Flow Statement: A summary of the money that comes in (income) and out of (expenses) a household or business over a period of time.

Certificate of Deposit (CD): A special type of savings account offered by banks or credit unions that typically offers a higher rate of interest than a regular savings account. You generally must keep your funds in the CD for a specified period of time to avoid penalties. The end of that time period is called the “maturity date.”

Certified Public Accountant (CPA): An accountant who has passed an examination and met other requirements and has been granted a certificate by a state agency.

Character: In finance, this refers to how you have paid your bills or debts in the past.

Charitable Giving: Money that you give to a nonprofit organization, charity, or private foundation.

Checking Account: A deposit account at a financial institution that allows consumers to make deposits, pay bills, and make withdrawals. Money that is in a checking account is very liquid, meaning it can be easily accessed.

Claim: Request to an insurance company for payment for a covered loss under an insurance policy.

Closing Costs: The expenses incurred by sellers and buyers in transferring ownership in real property. These costs may include the origination fee, attorneys’ fees, loan fees, title search and insurance, and recordation fees.

Collateral: An asset that secures a loan or other debt that a lender can take if you default (don’t repay) the money you borrow. For example: if you get a real estate mortgage, the bank’s collateral is typically your house.

College Work-Study Program (Federal Work-Study): A program that enables qualifying students to work part-time to receive money that helps finance the costs of post-secondary education.

Commercial Property Insurance: Coverage that a business or other entity purchases from an insurer to help cover losses to buildings and contents due to a covered cause of loss, such as a fire. (See also Insurance.)

Compound Interest: The interest paid on principal and previously earned interest.

Consumer Installment Loan: Money that a person borrows and agrees to pay back by making a set number of payments over a period of time.

Co-Pay: Also known as a copayment, a fixed amount (for example: \$15) you pay for a covered health care service, usually when you get the service.

Corporation: A legal entity that is distinct from the individual(s) who compose the business yet has rights and abilities similar to those of a natural person.

Credit: The ability to borrow money and pay it back later.

Credit Card: A plastic card that can be used to obtain credit (such as to purchase goods and services).

Credit Card Accountability Responsibility and Disclosure Act: A law that prohibits certain practices that are unfair or abusive. The law also makes the rates and fees on credit cards more transparent so consumers can understand how much they are paying for their credit card and can compare different cards.

Credit Report: A record of your credit - and some bill repayment history - and the status of your credit accounts. This information includes how often you make your payments on time, how much credit you have, how much credit you have available, how much credit you are using, and whether a debt or bill collector is collecting money you owe.

Credit Score: A number, roughly between 300 and 800, that measures an individual's credit worthiness. The most well-known type of credit score is the FICO® score. This score represents the answer from a mathematical formula that assigns numerical values to various pieces of information in your credit report.

Credit Union: A not-for-profit financial institution owned by its members and represented by a volunteer board of directors who are elected by the membership. To become a member, you must meet the credit union's field of membership requirements and open a share account.

Creditworthiness: A creditor's measure of a consumer's past and future ability and willingness to repay debts. (See also **Credit Report** and **Credit Score**.)

Crowdfunding: A process of raising money for a cause or purpose, often online, from multiple people.

Customer Service Representative: A person who provides general information, handles complaints or inquiries, and may help consumers open accounts.

Debit Card: A plastic card that can be used to deposit or withdraw cash from a checking or other bank deposit account, such as at automated teller machines or at retail locations that accept cards.

Debt-to-Assets: Measures the ratio of your monies owed (liabilities such as a vehicle loan) to items that are of value (assets such as property). To calculate, you divide your total liabilities by your total assets. For example: if you own a home that is worth \$200,000 (asset), but you have a mortgage of \$50,000 left on the home (liability), your debt-to-asset ratio is 25% ($\$50,000 \div \$200,000 = 0.25$ or 25%).

Debt-to-Equity: A measure of solvency (the ability of a business to pay off its debts if the business were immediately sold) that is calculated by dividing total liabilities by stockholders' equity.

Debt-to-Income: A measure calculated by dividing your monthly debt payments by your gross monthly income. For example: if you pay \$200 each month for a vehicle loan and \$1,000 each month for a home loan, your total debt payment each month is \$1,200 ($\$200 + \$1,000$). If your monthly gross income is \$4,000, then your debt-to-income ratio is 30% ($\$1,200 \div \$4,000$).

Deductible: The dollar amount or percentage of a loss that you have to pay before the insurance policy begins to pay.

Deduction: An amount that reduces the amount of income on which a person pays tax.

Direct Loan: A low-interest loan for students and parents to help pay for the cost of a student's education after high school.

Disability Insurance: Protects a person from loss of income due to a covered illness or injury. (See also Insurance.)

Diversification: The approach of spreading your money among various investments with the hope that if one investment loses money, the others will make up for those losses; also referred to by the phrase "Don't put all your eggs in one basket."

Entrepreneur: An individual who establishes and operates his or her own business.

Equal Credit Opportunity Act: A federal law that prohibits credit-related discrimination on the basis of gender, race, marital status, religion, national origin, age, or receipt of public assistance.

Equity: The difference between the value of a piece of property (such as a house) and any debts for it (such as the amount of a mortgage).

Estate: The property of a person who has died.

Estate Planning: Planning for what will happen with assets or property after death.

Estate Tax: A tax on your right to transfer property at your death.

Executor: Someone who is selected to administer an estate (for example, make sure that the instructions in the will are properly followed).

Expense: The cost of goods and services.

Federal Deposit Insurance Corporation (FDIC): Preserves and promotes public confidence in the U.S. financial system by insuring deposits in banks and thrift institutions for at least \$250,000. An independent agency of the federal government, the FDIC was created in 1933 in response to the thousands of bank failures that occurred in the 1920s and early 1930s. Since the start of FDIC insurance on January 1, 1934, no depositor has lost a single cent of insured funds as a result of a bank failure.

Finance Charge: The total dollar amount paid for credit. For example: a \$100 loan repaid with \$9 interest plus a \$1 service fee has a finance charge of \$10.

Financial Advisor: A person who provides financial information and advice.

Financial Aid: Any grant or scholarship, loan, or paid employment offered to help a student pay for their college expenses.

Financial Planning: Identifying a person's financial goals, needs, and expected earning, saving, investing, insurance, and debt management activities.

Financial Ratios: Useful indicators of financial performance.

Financial Recordkeeping: The documentation of a person's financial affairs, including income earned, taxes paid, and expenses incurred.

Fiscal Policy: A broad term used to refer to the tax and spending policies of the federal government. Fiscal policy decisions are determined by the executive and legislative branches of government.

Fixed Expense: An expense that does not change from month to month.

Fixed-Rate Loan: A loan that has an interest rate that does not change.

Free Application for Federal Student Aid (FAFSA): The free application used to apply for federal student aid, such as federal grants, loans, and work-study.

Goal: Something you wish to achieve or accomplish in a specific amount of time.

Grant: A form of financial aid, often based on financial need that does not need to be repaid (unless, for example, you withdraw from school and owe a refund).

Gross Income (Gross Pay): Earnings before deductions (as for taxes or expenses) are subtracted.

Health Insurance: A contract that requires your health insurer to pay some or all of your health care costs in exchange for a premium (money paid).

Home-Based Business Insurance: Protection against certain losses and other risks for those who engage in business activity at their home. (See also **Insurance**.)

Homeowner's Insurance: An insurance policy that covers a homeowner's house, other structures on their property, and personal contents against losses caused by such things as windstorms, fire, and theft. It generally also provides liability coverage (for example: this coverage would be applicable if you are found responsible for the injury of a friend who injures themselves while visiting you). (See also **Insurance**.)

Identity Theft: When someone steals another person's identity to commit fraud, such as by using his or her name or Social Security number to get something. Identity theft is a crime.

Income: Money that you receive from jobs, allowances, gifts, interest, dividends, and other sources.

Income Tax: Taxes on income, both earned (salaries, wages, tips, commissions) and unearned (interest, dividends). Income taxes can be levied on both individuals (personal income taxes) and businesses (business and corporate income taxes).

Individual Retirement Account (IRA): A deposit or investment account that an individual opens and uses to save money for retirement and that has certain tax advantages

Inflation: A rise in the general level of prices of goods and services in an economy over a period of time; the opposite is deflation.

Insurance: A contractual relationship that exists when one party (the Insurer), for a fee (the premium) agrees to reimburse another party (the Insured or third party on behalf of the Insured) for a specific loss.

Insurance Agent: A person who sells insurance policies.

Interest: Money that a bank or other financial institution pays you for keeping money on deposit with them, or the amount of money you pay a bank as a fee when you borrow money. You can earn interest from a bank (such as when you keep money in a savings account) or pay interest (such as when you borrow money).

Inventory Turnover Ratio: A ratio showing how often a company's inventory is sold and replaced during a year or other period of time.

Invest: To put money at risk with the goal of making a profit (return) in the future.

Investment: Using money or time in a way that you expect will bring you a return or increase in value.

Investment Vehicle: The type or methods that a person (or business) can use to invest money.

Investors: People who expect a future financial return from using their money to finance investments.

Job: A specific duty, task, or activity someone completes using his or her time, skills, and energy to earn money.

Joint Tenancy: Equal ownership of property by two or more parties, each of whom has the right of survivorship (for example: when a person dies, their interest in the property is transferred to the other owners).

Lawyer: A person who practices law; also known as an attorney.

Lease: A contract transferring the use of property or occupancy of land, space, structures, or equipment in exchange for rent (generally money).

Lender: An organization or person that lends money with the expectation that it is to be repaid.

Liability: An amount owed to a person or organization for borrowed funds; responsibility to another for negligence that results in injury or damage.

Liability Insurance: Covers losses for which an insured is legally liable, such as for another's personal injury or for property damage. (See also Insurance.)

Life Insurance: A form of insurance that will pay money to a beneficiary if the policyholder dies. (See also Insurance.)

Limited Liability Company (LLC): An entity formed under state law by filing articles of organization as an LLC. Unlike a partnership, none of the members of an LLC are personally liable for its debts.

Loan: Money borrowed that has to be repaid, generally with interest.

Loan Officer: A bank employee that (depending on the bank) evaluates, authorizes, or recommends approval of loan applications for people and businesses.

Long-Term Care: Services that include medical and non-medical care provided to people who are unable to perform basic activities of daily living, like dressing or bathing. Medicare and most health insurance plans don't pay for long-term care.

Medicare: A health insurance program for people who are 65 or older, certain younger people with disabilities, and people with permanent kidney failure requiring dialysis or a transplant. This program is financed by deductions from wages and managed by the federal Social Security Administration.

Mobile Payments: Purchases or payments made using your mobile phone or other device. The amount of the payment may be applied to your phone bill, charged to your credit card, or withdrawn from your bank account.

Monetary Policy: What the Federal Reserve, the nation's central bank, does to influence the amount of money and credit in the U.S. economy. What happens to money and credit affects interest rates (the cost of credit) and the performance of the U.S. economy.

Money Market Deposit Account: A savings account that offers a higher rate of interest in exchange for larger than normal deposits.

Mortgage (Home Loan): A contract, signed by a borrower when a home loan is made, that gives the lender the right to take possession of the property if the borrower fails to pay off, or defaults on, the loan.

Mutual Funds: An investment tool that pools the money of many investors and invests it in stocks, bonds, and money market assets, or other securities.

Need: Something you must have to survive, such as clothes, shelter, or food.

Net Income (Take-Home Pay): The gross pay minus deductions (such as for taxes, health care premiums, and retirement savings).

Net Worth: The difference between what you own (assets) and what you owe (debts).

Online Banking: A service that enables an accountholder to obtain account information and conduct certain banking transactions through the financial institution's website .

Partnership: Two or more persons who join to carry on a trade or business. Each person contributes money, property, labor or skill, and expects to share in the profits and losses of the business. Partners are liable for the partnership's financial responsibilities.

Paycheck: A check that is used to pay an employee for his or her work.

Pell Grant: Awarded to undergraduate students who have demonstrated financial need.

Personal Exemptions: Reduces the income subject to taxation by the exemption amount.

Pharming: Redirecting Internet requests to false websites to collect personal information, which is generally then used to commit fraud and identity theft.

Philanthropy: Giving money or time for the purpose of trying to make life better for others.

Phishing: When fraudsters impersonate a business or government agency to try to get you to give them personal information, such as through an email or text message. It can also be thought of as "fishing for confidential information."

Pi: A Greek letter that reflects the ratio of the circumference of a circle to its diameter.

Predatory Lending: Certain practices that result in a borrower obtaining a loan that is harmful. These include, among other things, charging excessive fees and interest rates, lending without regard to borrowers' ability to repay, refinancing borrowers' loans repeatedly over a short period of time without any economic gain for the borrower, and committing outright fraud or deception (such as falsifying documents).

Premium: The amount of money that has to be paid for an insurance policy.

Profit: The money gained or left over after money spent (expense) is subtracted from money earned (income).

Profit-and-Loss Statement: A financial statement that summarizes the financial performance of a business during a specific period of time, including by outlining the firm's income, expenses, and the resulting profit or loss.

Policy: Contract between the insured and the insurer.

Power of Attorney: A legal instrument authorizing someone to handle the financial or other business affairs of another person.

Principal: The amount of money originally invested or the money that is borrowed.

Property Insurance: Insurance to protect you against damage that may occur to your property. (See also Insurance.)

"Rainy Day" Fund (Emergency Fund): Money set aside to pay for unexpected expenses.

Rate of Return: Profit or loss over a one-year period, expressed as a percentage.

Recession: A period of reduced economic activity.

Rent: The amount of money needed to live in or use someone else's property, such as a home, condo, or apartment.

Rent-to-Own: A lease contract that includes an option to buy the product.

Return on Assets: An amount calculated by dividing annual earnings by its total assets.

Return on Investment (ROI): The annual return on an investment, expressed as a percentage of the total amount invested.

Revenue: The total income produced by a given source.

Right of Survivorship: A successor's ability to acquire the property of a deceased individual upon his or her death.

Risk: The possibility that something unplanned or unintended may happen (such as losing money). Uncertainty about outcomes that are not equally desirable. In finance, it refers to the degree of uncertainty about the rate of return and the potential harm that could arise when financial returns are not what the investor expected.

Risk Management: The process of calculating risk and choosing approaches to minimize or manage loss.

Roth IRA: An Individual Retirement Account that you deposit after tax dollars into for accumulation of retirement savings.

Rule of 72: A rough calculation of the time or interest rate needed to double the value of an investment determined by taking the number 72 and dividing it by the interest rate. For example: To figure how many years it will take to double a lump sum invested at an annual rate of 8%, divide 72 by 8, for a result of 9 years.

Salary: Compensation for work paid on a regular basis (bi-weekly/monthly) typically expressed as an annual amount.

Save: To set something, like money, aside to use in the future.

Savings Account: A bank account that you can use to set aside money, and that pays you interest.

Scholarship: Money awarded to students based on academic or other achievements (merit-based), or the financial condition of a family, to help pay for education expenses. Scholarships generally do not have to be repaid. Merit-based aid is given by universities to students who do exceptionally well on standardized tests and who have high grade point averages. Need-based aid is given by many private schools and the Federal Government, and is based on how much money a family has when determining a student's scholarship.

Secured Installment Loan: A loan for which you provide collateral to secure your promise to repay the money you borrow.

Self-Employment Tax: Money that someone who is considered self-employed must pay to the federal government to fund Medicare and Social Security.

Social Security: A federal government program that provides retirement, survivors, and disability benefits, funded by a tax on income.

Sole Proprietorship: A simple structure where there is only one person owning and operating the business.

Spending Plan: Another name for a budget.

Start-Up Capital: Money that is invested to help start a new business.

Stock: An investment that represents a share of ownership in a company.

Student Loans: A sum of money borrowed by an individual to help pay for college with the intent that it will be repaid at a future date, along with any agreed-upon interest.

Tax: Money that has to be paid to a government to provide public goods and services.

Tenancy in Common: Shared ownership of a property in which two or more people hold the title. When an owner dies, their share of the property transfers to their heir(s), not necessarily the other owner(s).

Tenancy in Entirety: Shared ownership of a property between a husband and wife, when one dies, the other still owns the property.

Text Message Spam: Similar to e-mail spam, but on your cell phone. Criminals often text offers of free gifts or low-cost credit offers to try to get you to click on a link so they can install malware on your phone or get you to give them information they can use to commit fraud.

Time Value of Money: The concept that a dollar today is not worth the same as a dollar in the future.

Traditional IRA: A retirement savings program to which yearly tax-deductible contributions up to a specified limit can be made. The amount contributed is not taxed until withdrawn. Withdrawal is not permitted without penalty until the individual reaches age 59 and a half.

Trust: A legal arrangement in which one person holds or manages assets or other property for the benefit of another.

Unsecured Installment Loan: A loan that is not secured by an asset (collateral) that a lender could take if you do not repay the loan.

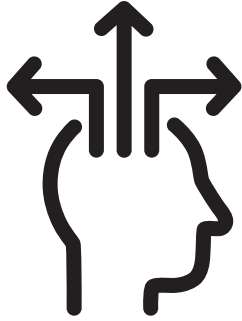
Variable Annuities: A contract between you and an insurance company, under which you make a lump-sum payment or series of payments. In return, the insurer agrees to make periodic payments to you beginning immediately or at some future date.

Variable Expense: Money that a person spends or gives away that varies from month to month.

Variable-Rate Loan: A loan where the interest rate might change.

Want: Something that you would like to have but that you could live without, such as a TV or tickets to a baseball game.

Will: A legal document in which a person conveys information such as how they want their money and assets to be distributed after their death and who should be the guardian of their children.



Lesson 1: Working Hard for the Money

TOPIC: Career Options

OVERVIEW:

As teens and young adults begin working for the first time, questions about job choices and what to do after high school are on the forefront of their minds. With some teens planning on attending college and others unsure of their direction after graduation, this lesson explores the many different options young adults and teens have at their disposal in finding a **career** track that works for them. Exploring **jobs** that combine passion and profit, students examine different career and educational tracks and assess where they fit within the spectrum of choices, and recognize how **taxes** relate to income earned.

Time: 55 min

Subject Connections:

- English Language Arts
- Math
- Science
- Social Studies
- Technology

Supplies:

- Projector (for teacher presentation slides)
- Access to the Internet (optional)

Preparation:

- Make copies of student handout
- Set up projector with presentation slides

Glossary with key vocabulary 16

OBJECTIVES:

1. Identify career options and education or training required for different careers
2. Name sources of income
3. Explain the relationship between income and taxes
4. Demonstrate how to research and analyze different careers

INDIVIDUAL HANDOUTS:

- Exploring Careers
- Making Choices
- Career Research

GROUP HANDOUTS:

- none

TEACHER PRESENTATION SLIDES:

- Dream Job
- Paycheck
- Possible Employer Benefits
- Choices

ESSENTIAL QUESTIONS:

- How do I earn money now?
- What career or job is right for me?
- How can I earn money later in my life?
- What kind of education or training will I need?

ASSESSMENT ACTIVITIES:

Pre-Assessment:

- **Slide:** Dream Job
- **Activity:** Exploring Careers

Post-Assessment:

- **Handout:** Career Research*
- **Handout:** Making Choices*

***Money Smart Portfolio Handouts**

Instruction Steps

WARM UP

Exploring Careers

10 MINUTES

Dream job

2

1. What are your interests? What excites you?
2. What are you good at? What skills do you have?
3. What do you want to do after high school or college?
4. What is your dream job, and why?
5. What skills do you think are required for your dream job?
6. How do you think you could get the skills needed for your dream job?

Money Smart for Young People Grades 9 – 12

Open the lesson by displaying the ***Dream Job*** slide. The question prompts may be used for small- group discussions, a whole-class discussion, or an individual reflective writing exercise.

Distribute the ***Exploring Careers*** handout, and review together as a class.

Using student responses from the ***Dream Job*** slide and information on the ***Exploring Careers*** handout, engage the class in a brief discussion about how different career tracks require different preparation, such as formal education, training, skills, and experience.

Ask students:

- *What is the difference between a job, career, and profession?*
- *Why do different jobs require different education and training?*

Invite students to share examples of each to test their understanding.

GUIDED EXPLORATION

Income, Benefits, and Taxes

15 MINUTES

Possible Employer Benefits

3

Health Insurance: helps cover employee medical costs related to illness or injury

Flexible Spending Accounts: tax-free money set aside by an employee often to be used for out-of-pocket medical expenses

Retirement Accounts:

- 401(k): an employer-sponsored plan to accumulate retirement savings that gives employees a choice of investment options, typically mutual funds. Employees who participate in a traditional 401(k) plan have a portion of their pre-tax salary invested directly in the option or options they choose.
- 403(b): exclusively for employees of public schools and certain tax-exempt organizations to accumulate retirement savings

Life Insurance: provides money to a beneficiary after the death of the insured

Extras: child care, relocation expenses, tuition reimbursement, transportation, wellness programs, discounts on products/services

Money Smart for Young People Grades 9 – 12

Next, guide the discussion to the different income levels for the jobs highlighted on the ***Exploring Careers*** handout. Explain that, even though a job may pay a certain amount of money per hour or year, there are other factors that impact earned incomes, such as benefits provided by an employer and taxes deducted from a paycheck.

Display the ***Possible Employer Benefits*** slide and review each of the benefits together as a whole class. Help students understand that, in addition to researching and exploring salary incomes, it is also important to investigate benefits provided by an employer.

For instance, if a job doesn't offer health insurance, explain that this is an out-of-pocket expense that must be considered in a personal budget, thus reducing available income to satisfy other needs.

Grade-Level Modifications:

Beginner: Engage students in considering what a “benefit” means and why benefits are used to attract and retain employees.

Advanced: Challenge students to research and discuss real job listings, noting the types of benefits offered. They can use job-listing sites, social media platforms such as LinkedIn, or visit the websites of companies they are interested in working for.

MONEY SMART TIP!

While many people connect employer benefits first to health care and retirement, show students that there are also other benefits and perks that employers may offer. These could include items such as a wellness program covering gym membership costs, childcare and tuition reimbursements, discounts on products and services, unlimited vacation days, or flexible work hours.

Ask students to consider their values by having them define which benefits would be most important to them and why. Encourage students to also ask their parents and family members what type of benefits they have at their jobs and which ones they value the most.

Paycheck

Bank Main Street

Electric Electronics Inc. Check No. 2756
100 Electronic Avenue
Norville, MA 02548
PAYROLL CHECK Date 9/15/14
Pay... Four Hundred Sixty Six Dollars 34 Cents \$ 466.34

To The Order Of Jerome Roberts
H878543210 45678912345672756

Electric Electronics Inc.
100 Electronic Avenue
Norville, MA 02548

Employer No.	Employee Name	Current Amount	Period Beg.	Period End	Check Date
1000000000	Jerome Roberts	466.34	9/1/14	9/15/14	9/15/14

Earnings	Deductions	Net Pay	Check No.
Regular pay		466.34	2756
Overtime pay		0.00	
Commission		0.00	
Retirement		0.00	
Health Insurance		0.00	
Life Insurance		0.00	
Union Dues		0.00	
Other Deductions		0.00	
Current Amount	Current Deductions	Net Pay	Check No.
466.34	0.00	466.34	2756

Money Smart for Young People Grades 9 - 12

Explain that another factor that impacts earned income is the amount of taxes deducted from a paycheck. Display the **Paycheck slide** and review the sample paycheck with the class. Walk students through each part of the paycheck and explain that, even though our gross income (earned money before taxes) is one number, our net income (take-home pay) can be quite different. (See Lesson 6 for more information on taxes.)

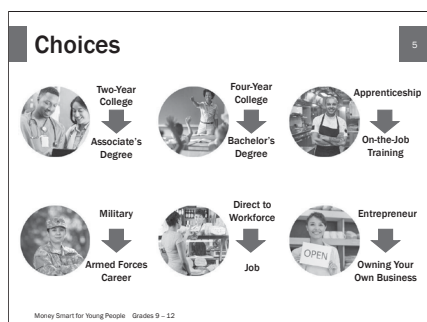
MONEY SMART TIP!

Expand the discussion of paychecks by connecting this lesson with Lesson 6, **Bread-and-Butter**, which details information on paychecks and taxes.

INDEPENDENT EXPLORATION

Education and Career Choices

20 MINUTES



Note: These activities are more independent than the Guided Exploration activities and may be used as homework assignments, collaborative group work, or independent study.

Display the **Choices slide** and engage the class in a brief discussion about the many different opportunities and choices available in selecting a career path.

Ask students:

- Why are there so many different career options?
- How do you determine which option is right for you?

Explain that directions after high school may include going straight into the workforce, attending a two- or four-year college, obtaining an apprenticeship, joining a branch of the military, or becoming an entrepreneur. Emphasize that there is no one "right" path and that everyone has unique values, goals, passions, dreams, and skills.

Distribute the **Career Research** handout and explain that students will now have the opportunity to explore different career options by researching job functions, training, and income levels.

Allow students time to complete the handout, and invite volunteers to share their responses.

MONEY SMART TIP!

The **Career Research** handout may also be assigned as homework to provide students additional research time, or used as a writing extension by having students write a brief essay responding to the interest and skills reflection questions.

WRAP UP **Making Choices**

10 MINUTES

Close the lesson by giving students time to reflect on their different career choices by completing the **Making Choices** handout.

Extended Exploration

Note: Use the following ideas to extend financial literacy concepts throughout the school year within core content areas through English Language Arts, Math, Social Studies and Economics, and Technology activities, projects, and discussions. Duration of activities will vary.

ENGLISH LANGUAGE ARTS

Writing Prompts:

How does technology influence the global job market?

For example: *In what ways do advancements in automation and robotics impact available work?*

How does technology change the way we search for jobs and perform jobs? (Online job applications, remote working opportunities)

What does the “American Dream” mean to you?

How does a job or career fit into your idea of the “American Dream”?

Create an argument for and against the following statement:
Not everyone needs a four-year degree.

Suggested Readings:

Top 25 Young Entrepreneur Success Stories by Junior Biz:
Entrepreneurial stories from young people who started their own businesses.

<http://juniorbiz.com/top-25-young-entrepreneurs>

Why It's Important to Think About Your Career in High School by U.S. News: Explore reasons why it is never too early to start thinking about your career.

<http://money.usnews.com/money/blogs/outside-voices-careers/2014/02/11/why-its-important-to-think-about-your-career-in-high-school>

Colleges Ramp Up Career Guidance for Students by USA Today: Learn about how colleges are helping students find the greatest return on their college investment through career planning.

www.usatoday.com/story/news/nation/2014/02/26/campus-career-centers-take-center-stage/5257141/

MATHEMATICS

Activity/Project Ideas:

Review and discuss job requirements, education, and annual incomes for different applied math-based careers, such as actuaries, statisticians, financial analysts, and computer scientists.

Challenge students to calculate federal, state, Medicare, and Social Security taxes on different income levels and paycheck scenarios.

SOCIAL STUDIES AND ECONOMICS

Discussion Topics:

Explore and discuss the globalization of the job market. For example: *Is globalization an opportunity to strengthen the U.S. economy? Why or why not? What are the pros and cons of globalization?*

Have students analyze connections between genders and careers — What are the historical shifts in jobs held by men and women?

Debate the domestic and international economic impact of outsourcing jobs and the supply and demand shifts of different industries.

Activity/Project Ideas:

Have students conduct research about the history of jobs. For example: students may explore historical shifts in the U.S. job market by visiting the U.S. Bureau of Labor Statistics website at www.bls.gov/home.htm. Investigate how jobs in America have evolved over time from farming to manufacturing to technological advancements. Have students create a timeline to present their research and discuss as a class how jobs will continue to evolve in the future. Invite students to consider science, technology, engineering, and mathematics (STEM) careers and the demand for such skilled careers in the present and future.

TECHNOLOGY**Online Resources:**

Occupational Outlook Handbook by the U.S. Bureau of Labor Statistics: Explore hundreds of different careers and discover education and training needed for each career, as well as median salaries.

www.bls.gov/ooh

Career One Stop by the U.S. Department of Labor, Employment and Training Administration: A comprehensive website showcases employment trends, occupation profiles, and salary information for every type of career.

www.careeronestop.org/

Career Videos by Career One Stop: Career videos organized into 16 clusters, or related types of work, that include job tasks, work environment, education requirements, and more.

www.careeronestop.org/Videos/CareerVideos/career-videos.aspx

Youth Employment: Explore resources ranging from job search assistance to internships.

<https://youth.gov/youth-topics/youth-employment>

Classroom activities from the Consumer Financial Protection Bureau (CFPB)

The CFPB has developed a set of classroom activities to help teachers develop and support the building blocks of financial capability in their students. Each activity is designed to be completed within a single class period and includes a teacher guide and supporting student material. Some specific activities that are relevant to this lesson include:

Creating a poster on life after high school

Students create a poster or infographic illustrating post-secondary education or workforce options that are available to them.

www.consumerfinance.gov/practitioner-resources/youth-financial-education/teach/activities/creating-poster-life-after-high-school/

Answer Key

Student Handout 1:

Career Research.

Answers will vary. Use handout to assess student ability to evaluate research and compare the purpose of each job, education required, and projected income.

Student Handout 12:

Making Choices.

Answers will vary. Use handout to assess student ability to understand that different training and education paths can lead to different career choices.



Lesson 1: Working Hard for the Money

EXPLORING CAREERS

Job: work a person performs regularly in order to earn money

Career: a job or profession that a person holds for a long period of time

Profession: a type of job that requires special education, training, or skill

Job	Description	Training/Education	Average Income
Chemical Engineer	Chemical engineers combine knowledge of science and math to develop and design chemical manufacturing processes. Chemical engineers can work in a variety of areas to help facilitate manufacturing, from pharmaceuticals to food and environmental safety.	Bachelor's degree in chemical engineering	\$102,160 per year or \$49.12 per hour
Social Media Marketing Manager	A social media marketing manager plans social media campaigns to generate interest in products or services. Social media managers are responsible for overseeing a company's online presence, customer engagement, and online brand identity.	Bachelor's degree in marketing, advertising, or journalism	\$132,230* per year or \$63.50 per hour
Dental Hygienist	Dental hygienists clean teeth and help patients maintain oral health. Hygienists examine patients, take dental X-rays, and help to educate patients on good oral health.	Associate's degree in dental hygiene	\$74,070 per year or \$35.61 per hour
Registered Nurse	Nurses perform a variety of tasks to help care for patients. Nurses assess injuries and illnesses, create treatment plans for patients, and administer medicine, among other patient-care tasks.	Registered nurses are required to hold a nursing license, which is earned by graduating from a nursing program and passing a national exam. Nursing programs are available for both associate and bachelor degrees	\$70,000 per year or \$33.65 per hour
Masons	Using bricks and stones, masons build or repair a variety of structures, from walls, fences, and floors to fireplaces and chimneys.	A high school diploma or equivalent is required, and most masons complete a three- to four-year apprenticeship in order to learn the trade.	\$42,900 per year or \$20.62 per hour
High School Teacher	High school teachers help prepare students for life after graduation by teaching academic lessons and skills required for students to enter the job market.	Teachers must have a bachelor's degree and a state-issued certification or license.	\$59,170 per year or \$29.59 per hour
Multimedia Animator	Multimedia animators create two- and three-dimensional models, animations, and visual effects for various forms of media, including television, movies, and video games.	Most animators need a bachelor's degree in computer graphics, art, or a related field.	\$70,530 per year or \$35.27 per hour

Find more information about these and other careers in the *Occupational Outlook Handbook* at www.bls.gov/ooh.

* Salaries for Social Media Marketing Managers vary based on location, company size, and previous experience.



Lesson 1: Working Hard for the Money

CAREER RESEARCH

Name: _____

Select two different careers that interest you, or that you would like to learn more about, and write them in the spaces below. Using the research resources or an Internet search engine, investigate the job description, training and education required, and the average income for each career.

Not sure which career to start with? Take a moment to reflect on your interests and skills by answering the questions below or taking an interest survey to assess strengths and capabilities, such as <https://careertech.org/student-interest-survey> or www.careeronestop.org/Toolkit/Careers/interest-assessment.aspx.

- What do you like to do?
- What are you interested in?
- What excites you?
- What are you good at?
- What fields are you interested in learning more about?

Research Resources:

- Occupational Outlook Handbook.

www.bls.gov/ooh

- Career One Stop.

www.careeronestop.org

Check out the U.S. Bureau of Labor Statistics' A to Z guide for more career ideas!

www.bls.gov/ooh/a-z-index.htm

Career	1.	2.
Description		
Training/ Education		
Average Income		



Lesson 1: Working Hard for the Money

MAKING CHOICES

Name: _____

Based on your current interests, select three different paths to employment from the following: two-year college, four-year college, apprenticeship, military, direct to workforce (job), and entrepreneur. Next, write down career opportunities that interest you that can be achieved by following each path.





Lesson 2: Designing Dreams

TOPIC: Financial Planning

OVERVIEW:

As teens begin to formulate a better understanding of the vision they hold for their future, practicing **financial planning** in situations applicable to their lives becomes an important topic for discussion. This lesson immerses teens in the process of financial planning by first defining concrete goals and identifying their values, and then constructing a plan to implement their **goals** through meaningful practices, including weighing **needs** and **wants**, avoiding peer pressure, and understanding the importance of a **budget**.

OBJECTIVES:

1. Determine personal values and financial goals
2. Determine personal financial decisions
3. Create a financial plan
4. Summarize the purpose of financial planning

INDIVIDUAL HANDOUTS:

- Setting & Reaching Goals
- My Plan
- Poor or Polished Plan?

GROUP HANDOUTS:

- None

TEACHER PRESENTATION SLIDES:

- Setting & Reaching Goals
- What's in a Plan?
- Poor Planning

ESSENTIAL QUESTIONS:

- What is a financial plan?
- What are values?
- Why do I need a financial plan?
- What are financial goals?

ASSESSMENT ACTIVITIES:

Pre-Assessment:

- **Handout:** Setting & Reaching Goals*

Post-Assessment:

- **Handout:** Poor or Polished Plan?
- **Handout:** My Plan*
- **Activity:** Purposeful Planning

*Money Smart Portfolio Handouts

Time: 50 min

Subject Connections:

- English Language Arts
- Math
- Social Studies

Supplies:

- Projector (for teacher presentation slides)
- Access to the Internet (optional)

Preparation:

- Make copies of student handout
- Set up projector with presentation slides

Glossary with key vocabulary 16

Instruction Steps

WARM UP

Setting & Reaching Goals

10 MINUTES

Aisha's Goals

Short-term goal: work part-time in high school to save up money for college

↳ **Intermediate goal:** go to college for nursing and balance working part-time

↳ **Long-term goal:** obtain a job as a registered nurse

Money Smart for Young People Grades 9–12

Open the lesson by displaying the **Setting & Reaching Goals** slide and distributing the **Setting & Reaching Goals** handout. Explain that financial planning is about defining and following a set of steps in order to reach a goal and that today's lesson will walk through how to create a plan.

MONEY SMART TIP!

Review the definition of what a goal is with your students before reading the **Setting & Reaching Goals** slide and handout (a goal is a desired result from one's efforts to achieve personal economic satisfaction).

After reading Aisha's story, use the definition of what a goal is to discuss the process Aisha took to reach personal economic satisfaction (for example: she divided her objectives into manageable steps by creating short, intermediate, and long-term goals).

Review the **Setting & Reaching Goals** handout and the **Setting & Reaching Goals** slide together as a class.

Ask students to share their ideas on how Aisha was able to meet her goal of becoming a nurse:

- What *challenges* did she have to overcome to reach her goal?
- What *steps* did she take?
- Why did Aisha map out short-term, intermediate, and long-term milestones?

Encourage students to share their ideas, and discuss how Aisha had to manage her expenses in the short term in order to reach the long-term reward of becoming a nurse.

Ask students to reflect on their own goals and record their responses in part two of the **Setting & Reaching Goals** handout.

GUIDED EXPLORATION

What's In A Plan?

15 MINUTES

Invite students to share their goals from the **Setting & Reaching Goals** handout in small groups or as a whole class.



Next, display the ***What's in a Plan?*** slide and review the different components. (Detailed definitions for each term may also be found in the glossary.)

Grade-Level Modifications:

Beginner: Focus the lesson on goal setting and then scaffold into the other aspects of financial planning.

Advanced: Delve deeper into the budgeting aspect of a financial plan by exploring **fixed** (for example: rent and auto loan payments), **variable** (for example: food and gas), and **discretionary expenses** (for example: eating out and shopping).

Ask students to share ideas on why there are multiple areas to consider in a financial plan. *What do we gain by thinking through each of the items in a plan?*

Help students understand that financial decisions are interconnected in every facet of our lives. For example: if we make a choice to spend money on a “want” item, it could impact the money that is available for “need” items.

MONEY SMART TIP!

Share and discuss with your students the documentary ***Broke*** (1 hour, 19 minutes), which highlights professional athletes that go from high-income salaries to bankruptcy because of poor financial planning. <http://espn.go.com/30for30/film?page=broke>

Poor Planning

“By the time they have been retired for two years, 78% of former NFL players have gone bankrupt or are under financial stress; within five years after retirement, an estimated 60% of former NBA players are broke.”

—Sports Illustrated
“How and Why Athletes Go Broke”
by Pablo S. Torre, March 23, 2009

Money Smart for Young People Grades 9–12

Display the ***Poor Planning*** slide and discuss the significance of the statistics. Ask students why such financially successful athletes could end up bankrupt. What went wrong? What steps could athletes take in order to prevent bankruptcy?

Next, distribute the ***Poor or Polished Plan?*** handout. Read the scenarios together and ask students to assess and explain which plans are polished and why.

INDEPENDENT EXPLORATION

Make a Plan

15 MINUTES

Note: These activities are more independent than the Guided Exploration activities and may be used as homework assignments, collaborative group work, or independent study.

Divide the class into small groups of four and distribute the ***My Plan*** handout. Explain to students that each group will select one of the real-life stories on the handout and design a blueprint for achieving the goals described in the scenario.

Assign each group member a specific task from the following:

1. state the goal and categorize it (e.g., need versus want)
2. identify personal resources
3. list sources of income and expenses
4. identify potential challenges that may prevent the goal from being achieved (e.g., peer pressure, overspending, not sticking to a budget).

Have members report back to their groups what they discover and collectively prepare a brief overview explaining their approach for how to successfully reach the goal.

Invite groups to share their ideas with the class and discuss the importance of financial planning to achieve goals.

Grade-Level Modifications:

Beginner: Have students reflect individually on a selected scenario from the *My Plan* handout.

Advanced: Have students create a visual artifact to present to the class highlighting the steps they would take to reach the goal from the *My Plan* handout. For example, students may use presentation software to create a digital slideshow or an online infographic creator, such as www.canva.com.

WRAP UP

Purposeful Planning

10 MINUTES

Close the lesson by asking students to write a brief reflection answering the following questions:

- *What is the purpose of creating a financial plan?* (It helps you reach your short-, medium-, and long-term goals.)
- *What steps should you consider when creating a plan?* (Make a budget and spending plan, weigh needs versus wants, and limit expenses when necessary.)

Invite volunteers to share their responses for a final reflection.

Extended Exploration

Note: Use the following ideas to extend financial literacy concepts throughout the school year within core content areas through English Language Arts, Math, Social Studies and Economics, and Technology activities, projects, and discussions. Duration of activities will vary.

ENGLISH LANGUAGE ARTS

Writing Prompts:

How does financial planning affect other life choices?

Using supporting points, argue a solution to the problem of why so many professional athletes (or celebrities) go bankrupt.

Write about a fictional character who demonstrates smart financial planning.

Suggested Readings:

14 Stars Who Lost It All by Investopedia: read about famous athletes and celebrities who lost their fortunes due to poor financial planning.

www.investopedia.com/slide-show/14-stars-who-lost-it-all

MATHEMATICS

Activity/Project Ideas:

Challenge students to calculate and discuss fixed and variable expenses in a budget. For example: have students play “Determine Your Budget” or “Balance Your Checking Account” from TheMint.org, a web resource designed to support building positive financial habits.

www.themint.org/teens/balance-your-checking-account.html
and www.themint.org/teens/determine-your-budget.html

SOCIAL STUDIES AND ECONOMICS

Discussion Topics:

Explore how effective decision making plays a role in financial planning.

Analyze and discuss how economic fluctuations affect personal financial planning.

Activity/Project Ideas:

Read and discuss a current event related to financial planning, such as a public figure, celebrity, or professional athlete facing financial problems.

Have students simulate a real-life financial planning experience by calculating and discussing living expenses, income opportunities, and long-term goals for different scenarios (for example: a young couple considering having a child, a young adult moving out for the first time, or a young couple about to get married).

TECHNOLOGY

Online Resources:

My Plan by 360 of Financial Literacy: A planning guide that lets students pick areas of interest. A detailed list of resources and related articles are presented based on selected goals to guide students in planning for their future.

www.360financialliteracy.org/my360/dashboard

GoalsOnTrack App: A mobile app designed to create efficiency in planning and tracking personal goals. **www.goalsontrack.com**

Activity/Project Ideas:

Using spreadsheet or word processing software, challenge students to create a goal-tracking worksheet to organize actions needed to reach goals (for example: students may review other templates to create their own, such as **http://aboutleaders.com/wp-content/uploads/pdf/SMART_goal_setting_worksheets.pdf**).

Classroom activities from the Consumer Financial Protection Bureau (CFPB)

The CFPB has developed a set of classroom activities to help teachers develop and support the building blocks of financial capability in their students. Each activity is designed to be completed within a single class period and includes a teacher guide and supporting student material. Some specific activities that are relevant to this lesson include:

Setting a Smart Savings Goal

Students discuss short-term and long-term goals and what makes a goal SMART. They then create their own short-term savings goal and make a plan to meet that goal.

www.consumerfinance.gov/practitioner-resources/youth-financial-education/teach/activities/setting-smart-savings-goal/

Answer Key

Student Handout 1:

Setting & Researching Goals.

Answers will vary. Use handout to assess student ability to articulate future goals and the steps needed in order to reach their defined goals.

Student Handout 2:

Poor or Polished Plan?

Selena's scenario: Poor. Selena feels peer pressure to attend the concert and is willing to take money out of her savings to not be "the only one who misses it."

Mike's scenario: Polished. Mike knows exactly what he needs to purchase and he has a strategy for how he will balance the money he has available with what he needs to buy.

Kaelan's scenario: Poor. Kaelan earns \$1,440 each month, but his new condo costs \$1,100. This leaves him with only \$340, which is not a realistic amount to cover other living expenses (utilities, food, transportation, entertainment, and taxes). Kaelan is confident that he will get full-time hours soon, but he would have been better off waiting until he had full-time hours before moving into his condo.

Student Handout 2:

My Plan.

Answers will vary. Use handout to assess student ability to reflect on how to make a plan.



Lesson 2: Designing Dreams

SETTING & REACHING GOALS

Name: _____

MEET AISHA

For as long as Aisha can remember, she has always wanted to be a nurse.

"I enjoy helping people," Aisha says. "When I was a little girl I would use up all of our band-aids pretending to fix anyone and everyone that crossed my path!"

Today, Aisha is 26 years old and working as a registered nurse. How did she do it?

"It took a lot of hard work, but really I think the key was to make a plan early on and to stick to my plan even when things got tough," Aisha says.

CHALLENGES FOR AISHA

Needs vs. Wants

"When I was going to nursing school, my friends were always hanging out on Friday nights, grabbing food and maybe catching a movie. But I was tight on cash. It was really tempting, but I knew that if I spent my money going out every weekend, I would be in trouble when it came time to pay tuition next semester. I did go out and have fun with my friends...but I was careful not to overdo it."

Budget Blues

"By far the biggest thing I've learned about reaching my goals is to spend my money on paper first by creating a budget. At the beginning of the month I write down all of the things I'm going to need to spend money on and how much each will cost. Some expenses are the same each month, like my rent. But other costs are harder to predict, like buying groceries. I give myself a set amount of money to spend in each area of my budget and then I stick to it. Trust me, the sticking-to-it part is the hardest! By the third month of following a budget though, it really became a natural part of my financial plan."

AISHA'S GOALS

Short-term goal:

work part-time in high school to save up money for college

Intermediate goal:

go to college for nursing and balance working part-time

Long-term goal:

obtain a job as a registered nurse

DEFINING VALUES

"After high school I was working at a local grocery store as a cashier and one day my manager asked if I would ever want to become a manager. This made me really stop and think about what I wanted to accomplish in my life. Being a manager sounded fantastic. More money and benefits... who wouldn't want that?! But I had this dream of becoming a nurse and I knew that what I was really good at was helping take care of people when they needed it the most. Thankfully, I was able to keep my job at the grocery store all during nursing school, but I knew for me the path I valued the most was getting my nursing license."



Lesson 2: Designing Dreams

SETTING & REACHING GOALS *(continued)*

Name: _____

In thinking of Aisha's story, what dreams and goals do you have for your life? What do you want to accomplish, whether it is reaching a certain career, buying a home, or going to college?

Write three goals you have for your future:

- 1.
- 2.
- 3.

What will you need to do in order to reach your goals? Like Aisha, think through what you would need to do today, in a few months, and in the next few years to reach your goals. These are your short-term, intermediate, and long-term goals. Write your ideas in the table below for each of your future goals.

	GOALS		
	1:	2:	3:
Short-Term (What actions can I take today to reach my goal?)			
Intermediate (What actions can I take over the next few months to reach my goal?)			
Long-Term (What actions can I take over the next few years to reach my goal?)			



Lesson 2: Designing Dreams

POOR OR POLISHED PLAN?

Name: _____

Read the scenarios about each person below and decide whether their financial plan is poor or polished. Circle the correct answer and then explain why.

Look for the following elements of a polished financial plan:

- Budgets income and expenses
- Weighs wants and needs
- Makes a plan for spending, saving, and investing
- Avoids peer pressure
- Limits expenses when necessary

Selena 17 years old, high school senior

Poor Polished

"My friends are going to a concert in a few weeks and they're begging me to come. It's my favorite band and I really want to go. It's \$100 for the ticket, plus I'll probably need extra because I'll want to buy a T-shirt and maybe food. I am trying to save up for a car so I can get to school and work easier, but if I don't go to the concert, I'll be the only one who misses it. I'll never hear the end of it from my friends! I think I'm going to go and I'll just borrow the money from my car savings to pay for it and then hopefully catch up on savings next month."

Why?

Mike 21 years old, college junior

Poor Polished

"My financial aid came through today and I'm excited for classes to start. The first thing I need to do is pay tuition and then I'm hoping to be able to buy a new computer. There are so many different types of computers, though, so I'm going to make a list of what I need first and then figure out how much each computer option will cost. I'll do some web searches to compare different models and find one that fits within my budget. If I have to, I may need to use the computer lab on campus for one semester while I save up more money to buy a computer of my own."

Why?

Kaelan 22 years old, part-time construction worker

Poor Polished

"I just moved into a new condo and it's pretty sweet. A little pricey at \$1,100 month, but I have lots of amenities...gym, pool, even a lounge and pool table in the main building. It works out perfectly because I started a new job and I'm making \$18 an hour. I can only get 20 hours a week right now, but my boss said in a few months I should be able to work full-time."

Why?



Lesson 2: Designing Dreams

MY PLAN

Name: _____

Scenario #1

You've just graduated college and are living on your own for the first time with a couple of roommates. In addition to paying rent and utilities, you also have a cell phone bill and daily costs of living, like buying groceries. You work full time at a retail store, and on the weekend you pick up extra work by mowing lawns and pulling weeds for neighbors. Growing up, you always had pets in your home and loved taking care of them. Now that you're on your own you are thinking about buying a pet. You're hoping that your roommates will help you out from time to time, like if you go out of town or need to work extra hours. You haven't talked with them yet about it, but they all love pets and you're sure they won't mind having one in the house and helping when needed.

Scenario #2

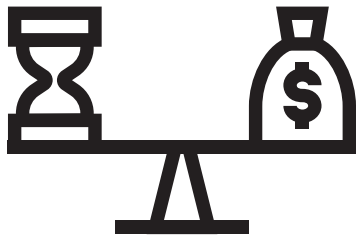
Spring break is coming up and all of the seniors in your high school class are traveling to a tropical destination. You really want to go but you're saving for college and the trip is expensive between airfare, hotel, food, and the excursions planned. You work part time after school at a retail store. You're fairly confident that you can get more hours between now and the vacation, but the hours are never guaranteed, and with school work and sports activities you may not always be able to work extra hours on the weekend.

Scenario #3

Last year you moved to a metropolitan city to take a new job in a real estate firm. The job opportunity came at a great time because you were starting to incur debt (from paying for college and purchasing a vehicle) that you wanted to pay down. Not knowing the area very well, you decided to rent an apartment for at least one year and then consider buying a condo somewhere in the city after that. It's been one year now and through your job you've learned a lot about the real estate market so you think you're ready to invest by buying a property. While you've been able to pay extra on your vehicle loan in the last year, the student loan debt hasn't gone down much.

Scenario #4

You're starting a new business as an independent consultant in the information technology sector. The job involves significant travel time as you meet customers onsite to help solve their tech problems. In the past you've always lived in a walkable city with good public transportation, so you never needed a vehicle, but now your clients are spread out within a 300-mile radius and you need transportation to get to each site. Luckily, you've been steadily saving and are hoping you can purchase a used car without having to borrow too much money, assuming you can find something reliable.



Lesson 3:

Can You Pay Your Bills?

TOPIC: Spending and Budgeting

OVERVIEW:

This lesson focuses on **financial recordkeeping** as a sound financial practice, reinforces prioritization of **wants** and **needs**, and challenges teens and young adults to develop a **budget** considering **cash flow** and personal spending choices. Students learn about important components of a budget, such as shelter, food, transportation, utilities, insurance, savings, and investments.

OBJECTIVES:

1. Develop a plan for spending and saving
2. Create a system for keeping financial records
3. Identify personal income and expenses or system for cash flow management

INDIVIDUAL HANDOUTS:

- Spending Tracker
- Income & Expenses
- Cash Flow Conundrum
- What If...

GROUP HANDOUTS:

- None

TEACHER PRESENTATION SLIDES:

- Sinking Ship
- 1-2-3 Budget
- Budget Breakdown

ESSENTIAL QUESTIONS:

- What are my financial values?
- What are my financial goals?
- What are the best methods to achieve my financial goals?

ASSESSMENT ACTIVITIES:

Pre-Assessment:

- **Slide:** Sinking Ship
- **Handout:** Spending Tracker*

Post-Assessment:

- **Handout:** Income & Expenses*
- **Handout:** Cash Flow Conundrum*
- **Handout:** What If...

***Money Smart Portfolio Handouts**

Time: 55 min

Subject Connections:

- Math

Supplies:

- Projector (for teacher presentation slides)
- Access to the Internet (optional)

Preparation:

- Make copies of student handout
- Set up projector with presentation slides

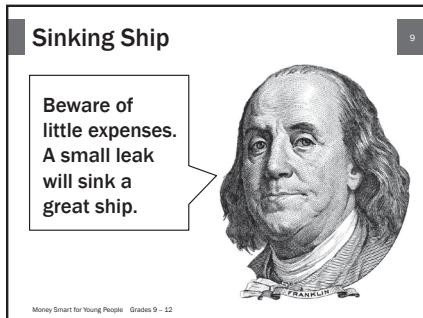
Glossary with key vocabulary 16

Instruction Steps

WARM UP

Why Keep Track Of Money?

10 MINUTES



Begin the lesson by displaying the ***Sinking Ship slide*** and ask students to reflect on the meaning of the proverb.

Ask *Why do we need to keep track of money?*

Invite volunteers to share their ideas and explain that keeping track of money we spend (expenses) and money we earn (income) is about making choices.

Discuss how analyzing our choices, we can make informed decisions about how to wisely spend and save for things we need and want. We do this through financial recordkeeping, creating a budget, and monitoring cash flow. Explain that “cash flow” is a term that refers to the movement of money flowing in (income) and money flowing out (expenses).

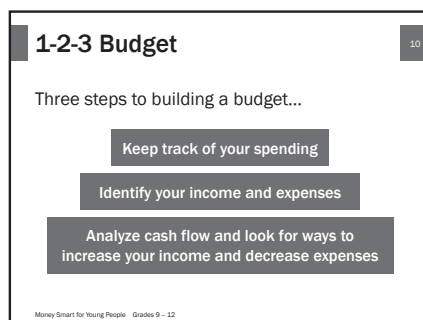
MONEY SMART TIP!

Connect back to Lesson 2, ***Designing Dreams***, and help students understand that thinking through a broader financial plan like they did in previous lessons is important in making smart money choices, and that a large part of a financial plan includes an accurate budget.

GUIDED EXPLORATION

How to Budget

20 MINUTES



Display the ***1-2-3 Budget*** slide and review the steps to creating a budget with the class.

Ask students:

- *Do you know what you spend money on?*
- *Would you be able to list everything you’ve spent money on in the past week or month?*

Next, distribute the ***Spending Tracker*** handout and divide the class into small groups to complete the activity.

Invite one member from each group to share his or her answers to the questions on the handout and engage the class in a brief discussion about spending habits. Help students understand that Caitlin’s daily coffee purchases and regular eating out add up to a lot more than she may realize.

Explain that it is common for many people to overspend because they do not keep track of every expense, big or small.

Budget Breakdown

11

Income:

- Various jobs or work, like cutting grass or babysitting wages
- Full- or part-time employment
- Allowances
- Odd jobs
- Interest and dividends
- Other sources, including tips

Expenses:

- Bills (for example: cell phone or cable bill, rent)
- Transportation expenses (for example: vehicle payment, gas, insurance, bus or transit fares)
- Movies, music purchases, game downloads or other entertainment
- Clothes or accessories
- Eating out
- Personal items (makeup, cologne, and so on)
- Savings for college or other future purchases

Cash flow is the relationship between income and expenses

Fixed expenses do not change from month to month (for example: rent and auto loan payments)

Flexible expenses might change from month to month (for example: food and gas)

Money Smart for Young People Grades 9 – 12

Next, review the **Budget Breakdown** slide with students and then distribute the **Income & Expenses** handout.

Give students time to complete the handout individually and then engage the class in a discussion about cash flow. Ask volunteers to explain what the difference is between fixed and flexible expenses and why it is important to keep track of both.

Grade-Level Modifications:

Beginner: Work together as a class to add up the total income and expenses on the **Income & Expenses** handout.

Advanced: Have students create their own budget modeling from the one on the **Income & Expenses** handout.

MONEY SMART TIP!

Discuss with students basic budget categories such as housing, food, transportation, utilities, insurance, savings, and investments. Engage students in a discussion about how much money we should allocate to each of these categories, and which categories we have greater levels of control over (such as decreasing spending on food by not eating out or reducing transportation costs by carpooling).

Ask students to brainstorm ways to decrease spending if expenses exceed income. Help students understand that separating needs from wants is one powerful way to avoid overspending on unnecessary expenses, and that being self-disciplined by sticking to a written plan can also help reduce spending.

Next, ask students to brainstorm ways that someone could increase income, such as working more hours, selling items one may no longer want or use, doing chores for others, like cutting grass or dog walking, or making and selling items such as jewelry or baked goods.

MONEY SMART TIP!

Discuss with students how other entities (beyond consumers) use budgets. For example: ask students to contemplate why small and large businesses would create a budget, as well as government agencies, schools, and organizations.

INDEPENDENT EXPLORATION

Analyzing Cash Flow

15 MINUTES

Note: These activities are more independent than the Guided Exploration activities and may be used as homework assignments, collaborative group work, or independent study.

Divide students into small groups and distribute the **Cash Flow Conundrum** handout. Give groups time to complete the activity and then ask a team member from each group to report his or her plan to the class.

Discuss **Todd's scenario** from the handout and acknowledge students' approaches to solving Todd's problem.

Emphasize that Todd could improve his situation by paying closer attention to his actions throughout the month, following a written budget, and possibly earning more income to help cover extra expenses.

MONEY SMART TIP!
Extend the Cash Flow Conundrum by having students write a problem and solution essay identifying Todd's problem and proposing and arguing a feasible solution.

WRAP UP

What If...

5 MINUTES

Close the lesson by handing out the **What If... worksheet**. Ask students to think back to the opening exercise and Caitlin's daily coffee purchases and put themselves in her shoes.

Invite students to share their answers for what they would do with money saved by not buying a daily coffee.

Extended Exploration

Note: Use the following ideas to extend financial literacy concepts throughout the school year within core content areas through English Language Arts, Math, Social Studies and Economics, and Technology activities, projects, and discussions. Duration of activities will vary.

ENGLISH LANGUAGE ARTS

Writing Prompts:

It is not only individuals who have to think about income, debt, and savings. Even the government has to think about these items. Argue your position for what will most help the U.S. economy: raising the debt ceiling or paying off debt?

Write an instructional guide for how to create and follow a budget.

Your school is in the middle of a budget crisis...what steps should your school take to get back on track?

Suggested Readings:

How to Manage Your Money Like...a Pro Athlete? by The Guardian: Read about effective and ineffective money management tactics from the perspectives of professional athletes. <http://www.theguardian.com/money/2014/feb/02/manage-sports-pro-athlete-investment-saving>

Adult Budgeting 101: How to Create Your First Budget In the Real World by Life Hacker: Learn the steps to take to create a realistic budget for living on your own for the first time. <http://lifehacker.com/adult-budgeting-101-how-to-create-your-first-budget-in-1440446091>

MATHEMATICS

Activity/Project Ideas:

Have students create their own budgets and use them to track income and expenses. Students may also work with their parents or families on creating a family budget.

The cost of savings: give students different items to remove from a budget, such as eating out, entertainment, or other want-based categories. Challenge students to calculate how much money they can save over extended periods of time by removing expenses.

SOCIAL STUDIES AND ECONOMICS

Discussion Topics:

Explore and discuss the relationship between personal spending habits and consumer debt. (For example: are credit cards good for consumers? Why or why not? What cultural pressures influence spending, such as spending to show social status?)

Activity/Project Ideas:

Have students create and present a national budget in which they project expenses and revenues. For example: students may complete the National Budget Simulation from the Council for Economic Education. <http://www.econedlink.org/lessons/index.php?lid=306&type=educator>

TECHNOLOGY

Online Resources:

Spending Tracker: A personal finance app that allows you to track spending and review purchases in order to help you stay on budget.

<https://apps.apple.com/us/app/spending-tracker/id548615579>

https://play.google.com/store/apps/details?id=com.mhriley.spendingtracker&hl=en_US

Plan 'it Prom: A mobile app that helps students plan and budget for the prom, including a budget calculator and tips on how to reduce expenses. **<https://itunes.apple.com/us/app/planit-prom/id627702895?mt=8>**

Budget worksheet and Excel template for high school students by College In Colorado: A budget template that can be completed online or downloaded in Excel. **www.cicmoney101.org/Calculators/Budget-Worksheets/High-School-Student.aspx**

Feed the Pig, Episode 5: Compulsive Spending! (9 minutes), and *Episode 10: Creating a Budget* (12 minutes): A podcast exploring issues of compulsive spending and how to create a realistic budget. **<https://itunes.apple.com/us/podcast/feed-the-pig-podcast/id220271991?mt=2>**

Latte Factor Calculator by Financial Mentor: A calculator that shows how much money could be saved by giving up a seemingly small purchase, such as buying daily coffee or eating out. **<https://financialmentor.com/calculator/latte-factor-calculator>**

Activity/Project Ideas:

Share with students a sample podcast on budgeting, such as the *Feed the Pig* resources listed above. Challenge students to create their own how-to-budget podcasts.

Have students create and track income and expenses in a budget using a spreadsheet application.

Classroom activities from the Consumer Financial Protection Bureau (CFPB)

The CFPB has developed a set of classroom activities to help teachers develop and support the building blocks of financial capability in their students. Each activity is designed to be completed within a single class period and includes a teacher guide and supporting student material. Some specific activities that are relevant to this lesson include:

Bouncing Ball Budgets	Through an interactive game, students share spending decisions they have made in the past and start to think about their spending habits in new ways. www.consumerfinance.gov/practitioner-resources/youth-financial-education/teach/activities/bouncing-ball-budgets
Reflecting on needs versus wants	By thinking about their own expenses, students explore how differentiating between needs and wants can inform daily financial decision-making. www.consumerfinance.gov/practitioner-resources/youth-financial-education/teach/activities/reflecting-needs-versus-wants
Making spending decisions	Students practice a commonly used decision-making model called PACED to help make spending decisions. www.consumerfinance.gov/practitioner-resources/youth-financial-education/teach/activities/making-spending-decisions
Conducting spending interviews	Students interview an adult about how they make financial decisions, and then analyze their findings to come up with their own rules of thumb. www.consumerfinance.gov/practitioner-resources/youth-financial-education/teach/activities/conducting-spending-interviews
Budgeting for fun in a city	Students practice budgeting by planning for a fun overnight trip to a city. www.consumerfinance.gov/practitioner-resources/youth-financial-education/teach/activities/budgeting-fun-city
Considering ways to pay your bills	Students play a game and answer questions to explore options for paying bills and consider which methods might work for them now or in the future. www.consumerfinance.gov/practitioner-resources/youth-financial-education/teach/activities/considering-ways-pay-your-bills

Answer Key

Student Handout 1:

Spending Tracker.

How much money will she spend by the end of the month?

\$1,006.00

Does Caitlin have positive cash flow (more money coming in than going out) or negative cash flow (more money going out than coming in)?

Negative cash flow

What patterns do you observe in Caitlin's spending habits? What does she spend money on most often?

Daily coffee at \$2.

What advice would you give Caitlin to help her reduce expenses so she can afford to move out on her own?

Answers will vary. Students may suggest Caitlin limit her daily coffee purchases or remove unnecessary items from her budget, such as the concert for \$89.

Student Handout 2:

Income & Expenses.

Does Jayden have enough money to pay all of his bills?

Jayden has enough income to pay for expenses with \$55 left.

Total Income: \$425

Total Expenses: \$370

Student Handout 2:

Cash Flow Conundrum.

Answers will vary. Students may recommend that Todd use all or part of his savings to help pay for the extra charges, find ways he can increase his income (for example: help neighbors with additional jobs so he can earn extra money), or reduce his expenses by removing wants.

Student Handout 3:

What If...

One week: **\$14**

One month (30 days): **\$60**

One year: **\$730**

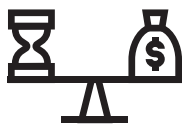
Five years: **\$3,650**

Ten years: **\$7,300**

Twenty years: **\$14,600**

If you don't buy daily coffee, what could you do with the money you save?

Answers will vary. Students may respond that they could put the extra money in savings or toward expenses.



Lesson 3: Can You Pay Your Bills?

SPENDING TRACKER

Name: _____

Caitlin is 18 years old and about to graduate high school. She works part-time at her mom's office after school. She earns approximately \$550 each month. Caitlin wants to move out of her parents' house and into her own apartment when she graduates, but she keeps coming up short on money and dipping into her savings account to pay for daily expenses. Over the years, Caitlin has built up her savings account by stashing away birthday gift money and any extra earnings from jobs like babysitting and walking her neighbor's dog. Now that she plans on living on her own, she wants to keep her savings account in place as an emergency fund, but she's worried about how to pay for new expenses like rent and utilities. Review her spending habits below and see if you can help her make a plan.

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Lunch: \$6.99	Coffee: \$2.00	Coffee: \$2.00	Coffee: \$2.00	Coffee: \$2.00	Coffee: \$2.00	Gas: \$15.00
Gas: \$21.50	New pair of jeans & T-shirt: \$52.86	Lunch: \$8.50 Manicure: \$25.00		Lunch: \$7.65	Movie & Snacks: \$15.00	Concert: \$89.00

If Caitlin spends at this pace for an entire month, how much money will she spend by the end of the month?

Compare Caitlin's monthly expenses to her monthly income. Does Caitlin have positive cash flow (more money coming in than going out) or negative cash flow (more money going out than coming in)?

What patterns do you observe in Caitlin's spending habits? What does she spend money on most often?

What advice would you give Caitlin to help her reduce expenses so she can afford to move out on her own?



Lesson 3: Can You Pay Your Bills?

INCOME & EXPENSES

Name: _____

Let's Practice!

Jayden brings home \$425 each month. Help Jayden track his monthly income and expenses to determine how much money he has coming in, how much is going out, and whether or not he has enough income to pay his bills and expenses each month.

The chart below lists his income and expenses.
Total his income and expense categories.

Does Jayden have enough money to pay all of his bills?

MY INCOME	
After-school job	\$300
Mowing neighbor's lawn	\$125
TOTAL INCOME	\$

FIXED EXPENSES	
Car payment	\$150
Car insurance	\$30
Loans/credit cards	\$10
Savings	\$25
TOTAL FIXED EXPENSES	\$

FLEXIBLE EXPENSES	
Gas/car maintenance	\$60
Cell phone	\$30
Entertainment	\$40
Personal expenses	\$25
TOTAL FLEXIBLE EXPENSES	\$

TOTAL EXPENSES	\$
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Income is money that comes to you from:

- Various jobs or work, like cutting grass or babysitting wages
- Full- or part-time employment
- Allowances
- Odd jobs
- Interest and dividends
- Other sources, including tips

Expenses are the items you spend money on. They might be from:

- Bills (for example: cell phone or cable bill, rent)
- Transportation expenses
- (for example: car payment, gas, insurance, and bus or transit fares)
- Movies, music downloads, or other entertainment
- Clothes
- Eating out
- Personal items (for example: makeup, cologne)
- Savings for college or other future purchases. Even though you aren't "spending" the money you put aside in savings on goods or services, considering it an expense helps build short-term savings (such as for emergencies) and long-term savings (such as for college expenses, buying a home, or retirement).

Fixed expenses do not change from month to month.

Flexible expenses might change from month to month, like a heating bill that is lower in May than in December



Lesson 3: Can You Pay Your Bills?

CASH FLOW CONUNDRUM

Name: _____

Help! Todd is in a real conundrum...he's overspending and needs a plan. Read his story below and help him put the pieces to a solid plan together before it's too late.

From Todd:

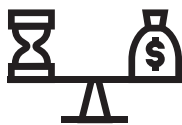
"I earn approximately \$100 each month from mowing lawns. My cell phone bill is \$50 a month. I use my phone for everything — texting, downloading movies, playing apps with my friends, you name it.

Let's see...the rest of my money goes toward hanging out with friends (\$30); buying clothes, new music, video games (\$45); and then into savings (\$10). I have \$70 in savings right now.

My problem is that I didn't realize how much I was using my phone last month until I went way, WAY over my allowable data. When I got my bill, I flipped! I really should have paid more attention. It was \$256! I don't have that kind of money. If I keep paying my regular \$50 a month, I'm going to continue to owe extra charges.

What else can I do? Do you have any ideas for how I can lower my expenses and increase my income so I can get rid of this debt?"





Lesson 3: Can You Pay Your Bills?

WHAT U=IF...

Name: _____

What happens if you remove a small, unnecessary item from a budget? How do you think one small act can lead to big savings?

Let's find out! Imagine that you buy a daily coffee for \$2. Calculate the true cost of those java jolts for each of the time periods below.

One week: _____ (Not so bad, right?)

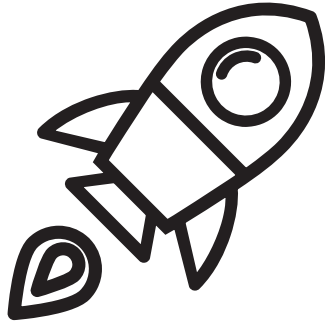
One month
(30 days): _____ (Not great, but still manageable.)

One year: _____ (Ouch! That's adding up.)

Five years: _____ (Whoa, slow down — Coffee costs that much?!)

Ten years: _____ (That's the cost of a car!)

Twenty years: _____ (OK...lesson learned: cutting small expenses can lead to big savings.)



Lesson 4:

Boost Your Savings

TOPIC: The Importance of Saving

OVERVIEW:

Helping young adults and teens see beyond the present is a challenge, especially when there are so many things to spend money on today. This lesson challenges students to think beyond their immediate horizon and explore long-term **savings**. Students analyze how thinking long-term makes a real impact with their money, helping them see the power of saving now for things they may need or want later. Paralleling fundamental principles of saving observed in earlier lessons, students embark on real-world applications of how to increase savings and calculate **compound interest**.

OBJECTIVES:

1. Describe how saving affects financial well-being
2. Explain compound interest
3. Identify and research savings products
4. Explain how interest is computed on savings

INDIVIDUAL HANDOUTS:

- Rainy Days
- Compounding Interest over Time
- Savings Options

GROUP HANDOUTS:

- None

TEACHER PRESENTATION SLIDES:

- Pay Yourself First
- How Money Grows
- Compounding Interest over Time
- Savings Options

ESSENTIAL QUESTIONS:

- Why should I save my money?
- How much should I save?
- Where should I save my money?

ASSESSMENT ACTIVITIES:

Pre-Assessment:

- **Slide:** Pay Yourself First
- **Handout:** Rainy Days

Post-Assessment:

- **Handout:** Compounding Interest over Time
- **Handout:** Savings Options*

Time: 50 min

Subject Connections:

- English Language Arts
- Math

Supplies:

- Projector (for teacher presentation slides)
- Access to the Internet (optional)

Preparation:

- Make copies of student handout
- Set up projector with presentation slides

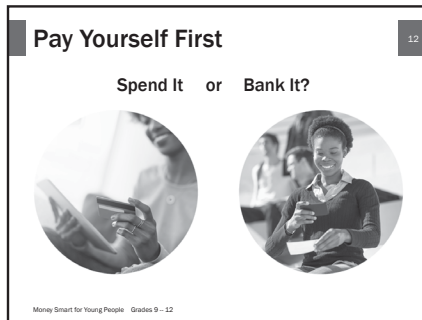
Glossary with key vocabulary 16

Instruction Steps

WARM UP

Rainy Day Savings

10 MINUTES



Begin the lesson by displaying the ***Pay Yourself First*** slide.

Ask students to answer what is happening in each of the pictures. Explain that the first image represents spending, whereas the second image represents saving.

Next, **ask students** what they think it means to “pay yourself first.” Explain that, like the second image on the slide, paying yourself first is when you receive money (for example: a paycheck or monetary gift) and you put some of that money in a savings account before you buy things that you want or you pay your bills.

Ask students why they think it would be important to pay yourself first before making purchases, acquiring new bills (bills need to be paid to avoid having one’s credit damaged), or paying bills.

Catalog students’ reasons on the board and emphasize that paying ourselves first helps us to:

1. manage money better because we make an informed decision
2. save for goals and things that we want
3. have extra money for emergencies or special events.

Next, ask students what they think a “rainy day” fund means. Explain that it is special savings set aside in case of financial emergencies, like unexpected costs for vehicle repairs or sudden medical expenses.

Help students understand that saving for emergencies minimizes financial risk by ensuring you have money when unexpected expenses arise.

Distribute the ***Rainy Days*** handout and have students work in small groups to brainstorm different financial emergencies and the cost implications associated with each.

Invite volunteers to share their reasoning for how paying yourself first can help lessen the financial strain of emergencies.

GUIDED EXPLORATION

Power Of Interest

15 MINUTES

How Money Grows

13

Compound Interest

$FV = P(1 + r/n)^{nt}$

FV = Future value
P = Principal (the initial deposit or loan amount)
r = Annual interest rate
n = Number of times interest is compounded
t = Number of years money is invested or borrowed

Annual Percentage Yield (APY)

$APY = 100 [(1 + \text{Interest}/\text{Principal})^{365/\text{Days in term}} - 1]$

Money Smart for Young People Grades 9 – 12

Display the **How Money Grows** slide and explain to students the key terms and formulas for compound interest and Annual Percentage Yield (definitions are also available in the glossary).

Ask students why interest is an important element to consider when creating a savings strategy, and invite volunteers to share their thoughts.

Engage in a brief discussion about the power of interest and help students understand that, by saving money in a financial institution (versus at home), you are able to make money on your savings through earned interest.

Grade Level Modifications:

Beginner: Focus the lesson on the concept of money growing through banking versus saving money at home. When students are ready, begin to introduce how banks calculate interest.

Advanced: Review the following formula for calculating Annual Percentage Yield: $APY = 100 [(1 + \text{Interest}/\text{Principal})^{365/\text{Days in term}} - 1]$. Have students calculate and then discuss a sample APY, such as if a bank pays \$61.68 in interest for a 365-day year on \$1,000 deposited into an account. $APY = 100[(1 + 61.68/1,000)^{(365/365)} - 1]$ APY = 6.17 percent.

MONEY SMART TIP!

Share with your students The Power of 72 (www.themint.org/kids/power-of-72.html) and explain that it is a formula that helps you calculate how long it will take for your savings to double in value. Have students practice calculating different scenarios with varying interest rates to determine how long it would take to double their money.

$$72 \div \text{interest rate} = \text{number of years}$$

Compounding Interest Over Time

14

Compounding means calculating interest on both principal and previously earned interest.

	5 years	10 years
Matress compounding— NO interest!	\$1,000.00 (unless stolen or lost)	\$1,000.00 (unless stolen or lost)
Annual compounding at 1%	\$1,051.01	\$1,104.62
Monthly compounding at 1%	\$1,051.25	\$1,105.12
Daily compounding at 1%	\$1,051.27	\$1,105.17

Money Smart for Young People Grades 9 – 12

Next, display the **Compounding Interest Over Time** slide and distribute the **Compounding Interest Over Time** handout.

Review part one of the handout together as a class, using the teacher slide to emphasize the differences between **annual**, **monthly**, and **daily compounding** (“compounding” refers to calculating interest on both principal and previously earned interest. The full definition is available in the glossary).

Challenge students to complete part two of the **Compounding Interest Over Time** handout. For students that choose to use spreadsheet software to complete the handout, provide online tutorial resources to help guide them in setting up the correct formulas, such as a Microsoft Support tutorial (<https://support.microsoft.com/en-us/help/141695/xl-how-to-calculate-compound-interest>) or a video tutorial.

Discuss how you can reach long-term goals, such as buying a home or a vehicle, by saving money in a financial institution where money can earn interest.

MONEY SMART TIP!

Introduce the concept of inflation, a rise in the price of goods and services, to students and discuss how savings are affected by the rate of inflation.

INDEPENDENT EXPLORATION

Savings Options

15 MINUTES

Note: These activities are more independent than the Guided Exploration activities and may be used as homework assignments, collaborative group work, or independent study.

Explain to students that, even though banks and financial institutions offer interest on deposited money, not all accounts are equal. Different accounts, such as savings accounts and CDs, compound differently, and researching account options is part of building a strong savings plan.

MONEY SMART TIP!

Introduce students to the concept of investing as another way to grow money. See Lesson 14, *Increasing the Value of Your Money*, for more information.

Savings Options

Certificate of Deposit (CD): typically offers a higher rate of interest than a regular savings account in exchange for you keeping the money on deposit for a set term (for example, 6 months or more)

Money Market Account: higher rate of interest, usually requires a higher minimum balance (for example, \$1,000), can make deposits and withdrawals

Savings Account: an account that typically allows unlimited deposits, but limits the number of fee-free withdrawals you can make during a month. You typically earn interest on the money you have on deposit and will receive a statement at least quarterly listing all transactions in the account

Protection: the Federal Deposit Insurance Corporation and National Credit Union Administration (NCUA) protect money saved in member financial institutions

Money Smart for Young People Grades 9–12

Introduce the **Savings Options** slide and distribute the **Savings Options** handout. Engage the class in a discussion about the differences between savings accounts, CDs, and money market accounts.

Give students time to complete the research challenge on the **Savings Options** handout and discuss their findings.

Guide students in understanding how their money is protected in financial institutions. For example: FDIC insurance covers all deposit accounts, including checking and savings accounts, money market deposit accounts, and CDs. This means that money deposited in insured financial institutions is guaranteed up to the maximum amount allowed by law (\$250,000 per depositor, per bank) if the financial institution goes out of business and cannot pay you your money. Likewise, the National Credit Union Administration insures up to \$250,000 per depositor at insured credit unions.

WRAP UP

Personal Decisions

10 MINUTES

Close the lesson by asking

students to reflect in writing or discussion how personal decisions may influence savings, such as setting aside a Rainy Day Fund. Ask: What actions can we take to maximize savings? Encourage students to think about spending less than what they earn, adding to savings accounts, and creating saving habits.

Extended Exploration

Note: Use the following ideas to extend financial literacy concepts throughout the school year within core content areas through English Language Arts, Math, Social Studies and Economics, and Technology activities, projects, and discussions. Duration of activities will vary.

ENGLISH LANGUAGE ARTS

Writing Prompts:

What is the importance of saving? Explain what you have learned about saving money.

How is money protected when it is deposited in a financial institution or bank versus keeping it with you or at home?

Analyze the pros and cons of increasing the minimum wage and explain how personal savings connects to wages.

Suggested Readings:

FDIC Consumer News Simple Ways to Rev Up Your Savings by the FDIC: Tips and strategies for young adults to follow in order to increase savings.

www.fdic.gov/consumers/consumer/news/cnfall12/savings.html

MATHEMATICS

Activity/Project Ideas:

Give students different scenarios to calculate Annual Percentage Yield.

SOCIAL STUDIES AND ECONOMICS

Discussion Topics:

Discuss in what ways economic issues, such as the reduction of government-funded programs and recessions or downturns in the economy, can impact personal savings.

Activity/Project Ideas:

Have students gather research on inflation over a period of time and analyze how savings accounts are affected.

TECHNOLOGY

Online Resources:

Compound Interest Calculator by Investor.gov: Students can use this calculator to determine how money grows with compound interest.
www.investor.gov/additional-resources/free-financial-planning-tools/compound-interest-calculator

Activity/Project Ideas:

Have students use spreadsheet software to create a compound interest calculator.

Classroom activities from the Consumer Financial Protection Bureau (CFPB)

The CFPB has developed a set of classroom activities to help teachers develop and support the building blocks of financial capability in their students. Each activity is designed to be completed within a single class period and includes a teacher guide and supporting student material. Some specific activities that are relevant to this lesson include:

Saving each payday	Students use a real-world simulation to learn how saving a little money each payday can be a successful strategy for saving. www.consumerfinance.gov/practitioner-resources/youth-financial-education/teach/activities/saving-each-payday
Reflecting on needs versus wants	Using the strategies of reflective writing, students create a personal statement sharing their hopes and dreams of things they would like to have or accomplish in the future. www.consumerfinance.gov/practitioner-resources/youth-financial-education/teach/activities/reflecting-whats-worth-saving/
Reflecting on what's worth saving for	Using the strategies of reflective writing, students create a personal statement sharing their hopes and dreams of things they would like to have or accomplish in the future. www.consumerfinance.gov/practitioner-resources/youth-financial-education/teach/activities/reflecting-whats-worth-saving/
Creating your own savings rules	Students explore how creating personal rules for building and managing savings can help them reach their financial goals. www.consumerfinance.gov/practitioner-resources/youth-financial-education/teach/activities/creating-your-own-savings-rules/
Drawing your own savings comic strip	Students identify an important lesson about saving money and create a comic strip reflecting that lesson. www.consumerfinance.gov/practitioner-resources/youth-financial-education/teach/activities/drawing-savings-comic-strip

Answer Key

Student Handout 1:

Rainy Days.

Answers will vary. Students may respond with emergencies such as job loss, car accident, loss of a loved one, or extreme weather emergencies like hurricanes, earthquakes, and tornadoes.

Student Handout 2:

Compounding Interest Over Time

Saving 50 cents a day:

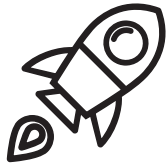
Saving \$1 a day:

	No interest	2% Daily Compounding	No interest	2% Daily Compounding
Year 1	<i>(\$182.50)</i>	<i>(\$184.34)</i>	<i>(\$365.00)</i>	<i>(\$368.68)</i>
Year 5	<i>(\$912.50)</i>	<i>(\$959.71)</i>	<i>(\$1,825.00)</i>	<i>(\$1,919.42)</i>
Year 10	<i>(\$1,825.00)</i>	<i>(\$2,020.35)</i>	<i>(\$3,650.00)</i>	<i>(\$4,040.70)</i>
Year 30	<i>(\$5,475.00)</i>	<i>(\$7,501.97)</i>	<i>(\$10,950.00)</i>	<i>(\$15,003.94)</i>

Student Handout 3:

Savings Options.

Answers will vary. Use handout to assess student ability to conduct research and evaluate and compare data.



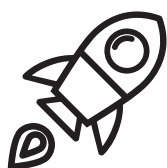
Lesson 4: Boost Your Savings

RAINY DAYS

Name: _____

What are different emergencies that can happen in life, and how much might they cost? Brainstorm a list of possible emergencies below, assess different cost implications, and then reflect on how a rainy day fund can help.

Emergency	What might be some of the unexpected costs?	How might a rainy day fund help?
Example: illness leading to hospitalization	▪ Ambulance-ride fees ▪ Hospital admittance fees ▪ Surgery fees	If you don't have health insurance or your insurance doesn't cover all medical expenses, a rainy day fund can help you avoid having to take out loans or go into debt to pay for the unexpected fees.



Lesson 4: Boost Your Savings

COMPOUNDING INTEREST OVER TIME

Name: _____

What would happen if you saved \$1,000 under your mattress for a year? Assuming that it hasn't been lost or stolen, it will still be \$1,000 at the end of the year. Your mattress is not paying you interest to keep your money.

But banks and financial institutions do pay interest on your deposited money, helping a \$1,000 deposit grow over time. Compounding means calculating interest on both principal and previously earned interest.

Interest can be compounded daily, monthly, or annually. Review the chart below and determine which method of compounding yields the greatest return.

Complete the chart below by calculating how much savings grows with no interest versus 2% daily compounding interest.

To complete the calculations, use an online calculator (For example: <https://financialmentor.com/calculator/compound-interest-calculator>) or spreadsheet software using the following formula:
FV (rate, nper, pmt, [pv], [type])

	5 years	10 years
Mattress compounding — NO interest!	\$1,000.00 (unless stolen or lost)	\$1,000.00 (unless stolen or lost)
Annual compounding at 1%	\$1,051.01	\$1,104.62
Monthly compounding at 1%	\$1,051.25	\$1,105.12
Daily compounding at 1%	\$1,051.27	\$1,105.17

FV (rate, nper, pmt, [pv], [type])

Rate = interest rate per period

Nper = total number of payment periods

Pmt = payment made each period

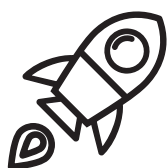
Pv = present value, or the lump-sum amount that a series of future payments is worth right now

Type = indicates when payments are made (0 means at the end of the period and 1 is at the beginning of the period)

Saving 50 cents a day:

Saving \$1 a day:

	No interest	2% Daily Compounding	No interest	2% Daily Compounding
Year 1				
Year 5				
Year 10				
Year 30				



Lesson 4: Boost Your Savings

SAVINGS OPTIONS

Name: _____

Certificate of Deposit (CD): An account that typically offers a higher rate of interest than a regular savings account in exchange for you keeping the money on deposit for a set term (for example: 6 months or more).

Money Market Account: An account that usually pays a higher rate of interest, and it usually requires a higher minimum balance (for example: \$1,000) to earn interest than is earned on a regular savings account. You can make deposits and limited withdrawals.

Savings Account: An account that typically allows unlimited deposits, but limits the number of fee-free withdraws you can make during a month. You typically earn interest on the money you have on deposit and will receive a statement at least quarterly listing all transactions in the account.

Protection: FDIC insurance protects all deposit accounts, including checking and savings accounts, money market deposit accounts, and CDs. This means that money you have deposited in insured financial institutions is guaranteed up to the maximum amount allowed by law (\$250,000 per depositor, per insured bank, for each account ownership category) if the financial institution goes out of business and cannot pay you your money. Depositors may qualify for coverage over \$250,000 if they have funds in different ownership categories and all FDIC requirements are met. Likewise, the National Credit Union Administration (NCUA) insures your money up to \$250,000 per depositor at insured credit unions.

	Financial Institution	
	1:	2:
Minimum Deposits (How much money is needed to open the account?)		
Interest Rates (What interest rate, expressed as APY, does the account earn?)		
Protection (Is the account protected by the FDIC or NCUA?)		
Fees/Penalties (Are there withdrawal penalties or fees for maintaining the account?)		



Lesson 5: Bank Your Bucks

TOPIC: Choosing a Banking Partner

OVERVIEW:

With so much financial information to digest when living on one's own for the first time, it can be confusing for teens and young adults to know where to save their money, and the difference between account types. In this lesson, students will explore the different roles **bank** employees play in the financial process and investigate **savings** and **checking** accounts. Applying their knowledge, students define and debate which accounts and institutions are applicable in different scenarios.

OBJECTIVES:

1. Analyze different financial institutions and conduct a comparative analysis of each institution
2. Explain the key differences between checking and savings accounts
3. Demonstrate how to control personal information
4. Understand the benefits of using federally insured financial institutions

INDIVIDUAL HANDOUTS:

- Banking Basics
- Banking Basics Scripts
- Security
- Checking and Savings Accounts
- Bank Checklist

GROUP HANDOUTS:

- None

TEACHER PRESENTATION SLIDES:

- Banking Institutions
- Checking and Savings Accounts

ESSENTIAL QUESTIONS:

- Why keep money in a bank?
- How do I know which financial institution and account to keep my money in?

ASSESSMENT ACTIVITIES:

Pre-Assessment:

- **Handout:** Banking Basics

Post-Assessment:

- **Handout:** Security
- **Handout:** Checking and Savings Accounts*
- **Handout:** Bank Checklist*
- **Activity:** Why Bank?

*Money Smart Portfolio Handouts

Time: 80 min

Subject Connections:

- Technology

Supplies:

- Projector (for teacher presentation slides)
- Access to the Internet (optional)

Preparation:

- Make copies of student handout
- Set up projector with presentation slides
- Cut out sections of the *Banking Basics Scripts* for warm up activity

Glossary with key vocabulary 16

Instruction Steps

WARM UP

Banking Basics

20 MINUTES

Begin by asking for six volunteers to play the roles of a customer service representative, bank teller, loan officer, branch manager, ATM, and banking website. Assign each volunteer a script from the **Banking Basics Scripts** handout.

Designate specific stations for each volunteer and explain to students that they will get to travel from station to station learning about different people and resources they will encounter when banking.

Distribute the **Banking Basics** handout and give students time to visit each station and record what they learn.

Come back together as a class and invite students to share what they discovered about each resource at the bank.

Ask students to think about why there are so many roles in a bank and the primary function of a bank. Guide the discussion to engage students in thinking about the reasons for saving in a bank versus tucking money under your mattress.

Explain that banks help keep money safe and secure, they are convenient, and they allow you to earn interest, and that saving money in banks can help support you in reaching future goals.

GUIDED EXPLORATION

Types of Institutions and Accounts

15 MINUTES

Banking Institutions



• Not-for-profit institutions • Owned by members • Must meet criteria to become a member • Same services as banks and thrifts • Operate under state and federal laws and regulations	• Most are owned by shareholders. Some are owned by the people who deposit their money there. • Make loans, pay checks, accept deposits, and other financial services • Operate under state and federal laws and regulations
--	--

Money Smart for Young People Grades 9 – 12

Display the **Banking Institutions** slide and review with the class the difference between **banks**, **thrifts**, and **credit unions**.

- **Banks** are state- or federally chartered for-profit financial institutions that offer commercial and consumer loans and other financial services.
- **Thrifts** are financial institutions that operate under federal and state laws and regulations, and they make loans, pay checks, accept deposits, and provide other financial services.
- **Credit unions** are state- or federally chartered not-for-profit financial cooperatives that provide financial services to their member-owners, who have met specific employment, residence, or other eligibility requirements.

Banks, thrifts and credit unions receive a charter from the state or federal government that permits them to operate. They can then accept deposits and make loans and are periodically examined by a regulatory agency. The Federal Deposit Insurance Corporation (FDIC) protects your insured deposits in banks and thrifts. The National Credit Union Administration (NCUA) protects your insured deposits in federal credit unions, and the majority of state-chartered credit unions. The FDIC and NCUA are each independent agencies of the United States government.

MONEY SMART TIP!

While discussing the **Banking Institutions** slide, find pictures of local banks and credit unions in your area and share these with students.

Distribute the **Security handout** and ask volunteers to read the **“How Is Your Money Protected?”** section to the class. Next, give students five minutes to complete the **“Challenge”** portion of the handout and then discuss the correct answers as a whole class.

MONEY SMART TIP!

Use the Security handout to discuss the benefits of using federally insured financial institutions. Explain how a well-selected, well-managed deposit account can allow a person to more easily –and safely – save money. The use of financial institutions provides consumers with federal deposit insurance, protections from discriminatory lending practices, and other consumer protections that can be helpful, for example, if a consumer has to dispute a charge to their account. Explain that banks also offer a wide array of loans. For example, the vast majority of banks offer small-dollar loans at better rates and terms than what nonbanks provide. Some small loans offered by nonbanks can be costly and hard to pay off because the loans need to be repaid in full in a short time or be rolled over into a new loan with additional fees. And the costs for cashing checks at places other than banks can add up. Help students understand that using a bank account responsibly is a useful way to achieve their financial goals.

INDEPENDENT EXPLORATION

Checking and Savings Accounts

40 MINUTES

Checking and Savings Accounts

Checking Accounts allow you to pay bills, and buy goods and services with the money you have deposited.

A Savings Account is a safe place for you to save money and earn interest over time.

Money Smart for Young People Grades 9 – 12

Note: These activities are more independent than the Guided Exploration activities and may be used as homework assignments, collaborative group work, or independent study.

Display the **Checking and Savings Accounts** slide and distribute the **Checking and Savings Accounts** handout. Review the differences between checking and savings accounts with students.

Next, have students complete the **“How to Write a Check”** exercise on the handout.

Divide students into small groups and distribute the **Bank Checklist** handout. Have students work together to research three different banks and record their research findings in the chart.

MONEY SMART TIP!

Explain and discuss “Person-to-Person” Payments (P2P). Mobile applications or apps, and other web-based services, allow person-to-person money transfers. Typically, users link the mobile payment system to their bank accounts or credit card accounts and initiate transfers of funds to others who are also users of the same app or web-based service. Using an app for P2P payments is one way to handle everyday transactions with other people, such as reimbursing a friend for lunch. There are different P2P systems, and there are important differences in the way they work. For example, one may let you transfer money after logging into a website. Another may let you transfer money by physically touching your phone to another person’s phone. Do your homework before using a P2P service, including by knowing what fees you may be charged, what the service’s user agreement says about resolving errors and disputes, and the service’s privacy practices.

Invite students to share their research with the class, and reiterate the differences between checking and savings accounts and how each account serves a purpose.

MONEY SMART TIP!

Expand the discussion to highlight privacy concerns in sharing personal information when setting up and maintaining checking and savings accounts. Refer to Lesson 14, **Protect Yourself**, for more information.

WRAP UP
Why Bank?

5 MINUTES

Bring the lesson to a close by asking students to reflect on why keeping money in the bank is important.

Ask: *How is our money protected in a checking and savings account?*

Extended Exploration

Note: Use the following ideas to extend financial literacy concepts throughout the school year within core content areas through English Language Arts, Math, Social Studies and Economics, and Technology activities, projects, and discussions. Duration of activities will vary.

ENGLISH LANGUAGE ARTS

Writing Prompts:

What is your relationship with banks or financial institutions? Do you currently have a bank account? What are your reasons for having or not having one?

What is one behavior or action you can change that will help you save more money?

Suggested Readings:

Bank or Credit Union? You Decide by Mint: This article offers an overview, history, and points of consideration in selecting a bank or credit union.

www.mint.com/blog/how-to/bank-or-credit-union-09022010

For Everyday Banking: Choosing the Best Account for You by the FDIC: Tips on how to select a bank that will best meet your needs.

www.fdic.gov/consumers/consumer/news/cnfall12/yourbankaccount.html

MATHEMATICS

Activity/Project Ideas:

Give students problems based on savings and checking accounts and have them balance the accounts after withdrawals and deposits.

Have students calculate interest earned on different savings balances. For example: provide students with different principals, years to grow, and interest rates and have students use the Compound Interest Calculator from Investor.gov to compare and contrast how money grows.

www.investor.gov/additional-resources/free-financial-planning-tools/compound-interest-calculator

SOCIAL STUDIES AND ECONOMICS

Discussion Topics:

How have technology and automation changed the banking industry in the past 20 years? Are the changes positive or negative? Argue and support your position.

How will technology affect the use of cash in the future? Will bills and coins become items of the past? Why or why not?

Activity/Project Ideas:

Have students construct a research project on the history of the FDIC and its role in the economy.

TECHNOLOGY

Online Resources:

Feed the Pig, Episode 26: Choosing the Correct Bank for You (10 minutes): A podcast exploring how to select a bank that meets your needs.

<https://itunes.apple.com/us/podcast/feed-the-pig-podcast/id220271991?mt=2>

Managing Your Money by Consumer.gov: A comprehensive web resource on how to manage money, with topics including opening a bank account and how to use a debit card.

www.consumer.gov/section/managing-your-money

What Is a Credit Union, by the National Credit Union Administration and MyCreditUnion.gov: This web page is developed by the independent federal agency that regulates, charters, and supervises federal credit unions. It provides consumers with information on credit unions. It also includes tools (such as an interactive game) to teach teens and young adults about money.

www.mycreditunion.gov/Pages/whats-a-credit-union.aspx

Banking Basics by the Federal Reserve Bank of Boston: A web resource that highlights what a bank is, account types, how deposits work, electronic banking, and more.

www.bostonfed.org/education/pubs/banking2.pdf

Activity/Project Ideas:

Have students research how banking technology has changed since banks were first introduced to the public. Challenge students to make predictions based on current technological advancements for how banks will operate 10, 20, 50, 100 years from now. What will banks of the future look like? What type of financial services will people need?

Classroom activities from the Consumer Financial Protection Bureau (CFPB)

The CFPB has developed a set of classroom activities to help teachers develop and support the building blocks of financial capability in their students. Each activity is designed to be completed within a single class period and includes a teacher guide and supporting student material. Some specific activities that are relevant to this lesson include:

Banking basics card game	Students play a game to learn about common banking products and services and to consider which ones they might use now and in the future. https://files.consumerfinance.gov/f/documents/cfpb_building_block_activities_banking-basics-card-game_guide.pdf
Avoiding overdraft fees	Students design a poster or pamphlet to inform consumers about their options for avoiding checking account overdraft fees. www.consumerfinance.gov/practitioner-resources/youth-financial-education/teach/activities/avoiding-overdraft-fees/

Answer Key

Student Handout 1: **Banking Basics**

Job	What is my primary role at the bank?	How do I help customers?
Customer Service Representative	<i>Provide general customer service</i>	<i>Help you open an account, refer you to a person who can help, provide written information about bank products, explain bank services, and answer general questions</i>
Bank Teller	<i>Deposit your money in your accounts</i>	<i>Help cash or deposit your checks, answer banking questions, and refer you to the right person who can help you with other bank services</i>
Loan Officer	<i>Provide loans to customers</i>	<i>Help answer questions about loans, help fill out applications for loans offered at the bank, and provide written information explaining different loan products</i>
Branch Manager	<i>Supervise bank operations at a branch location</i>	<i>Help resolve any problems or provide help a customer might need</i>
ATM	<i>Provide fast access to your money</i>	<i>Offer convenience and full-time availability (24 hours a day, 7 days a week), help check account balance, and a quick and easy way to access money</i>
Website	<i>Provide online banking</i>	<i>Offer convenience and full-time availability (24 hours a day, 7 days a week), help monitor withdrawals and deposits, help pay bills, and help check account balance</i>

Student Handout 2:

Security

How Is Your Money Protected?

Stars & Stripes

☒ **Bank or Thrift** ☐ Credit Union

Great Financial Institution

☐ Bank or Thrift ☒ **Credit Union**

Student Handout 3:

Checking and Savings Accounts

Checking Accounts: Use handout to assess student ability to correctly complete writing a check.

Student Handout 4:

Bank Checklist.

Answers will vary. Use handout to assess student ability to conduct research and evaluate and compare data.



Lesson 5: Bank Your Bucks

BANKING BASICS

Name: _____

Travel around the room to each different banking station and record what you learn about the following people and banking tools.

Job	What is my primary role at the bank?	How do I help customers?
Customer Service Representative		
Bank Teller		
Loan Officer		
Branch Manager		
ATM		
Website		



Lesson 5: Bank Your Bucks

BANKING BASICS SCRIPTS

Travel around the room to each different banking station and record what you learn about the following people and banking tools.

Hi, I am the Customer Service Representative. I can:

- Help you open your account
- Explain services we offer
- Answer general questions
- Refer you to a person who can help you
- Provide written information explaining the bank products

Hi, I am the bank teller. I will:

- Deposit and withdraw money from your account for you
- Cash your checks
- Answer questions about bank accounts
- Refer you to the person who can help you with other bank services
- Create a bank-certified check for you

Hi, I am the loan officer. If you need a loan, I can:

- Take applications for loans offered at the bank
- Answer questions about loans
- Provide written information explaining loan products
- Help you fill out a loan application
- Evaluate loan applications

Hi, I am the branch manager. I will:

- Supervise all the bank operations that take place at this branch
- Help fix the problems that other employees cannot solve

Hi, I am an Automated Teller Machine, or ATM for short. I will:

- Get you fast access to your money
- Be available 24 hours a day, 7 days a week
- Help you check your account balance and make deposits

Hi, I am the bank website. I can:

- Help you monitor your withdrawals and deposits, and even pay bills
- Be available 24 hours a day, 7 days a week for online banking
- Help you check your account balance
- Help you complete



Lesson 5: Bank Your Bucks SECURITY

Name: _____

How Is Your Money Protected?

The Federal Deposit Insurance Corporation (FDIC) insures deposits up to the maximum amount allowed by law. This means that the FDIC will return customers' money up to \$250,000 per depositor, per insured bank the current Standard Maximum Deposit Insurance Amount (SMDIA) if a bank closes and cannot give its customers their money.

You can tell whether the FDIC insures a bank by the displayed FDIC logo. Most credit unions are insured by the National Credit Union Administration (NCUA). The deposit insurance rules are similar at NCUA-insured credit unions as they are at FDIC-insured banks.

The FDIC has an online tool called the Electronic Deposit Insurance Estimator (EDIE). You can calculate the insurance coverage of your accounts at each FDIC-insured institution online at <https://edie.fdic.gov>.

Challenge

Read the following descriptions and place a ✓ by the correct financial institution.

Stars & Stripes Financial Institution is insured by the FDIC. It must follow federal and state laws. You could get a loan, a credit card, or open a checking or savings account here. *Which one is it?*

☐ Bank or Thrift ☐ Credit Union

Great Financial Institution requires account holders to be a faculty or staff member or student at Great University. The account holders are also the owners. *Which one is it?*

☐ Bank or Thrift ☐ Credit Union



Lesson 5: Bank Your Bucks

CHECKING AND SAVINGS ACCOUNTS

Name: _____

Checking Accounts: A checking account allows you to pay bills and buy goods with the money you have deposited.

- When you write a check, use an ATM or debit card, or bank online, the financial institution takes the money from your account and pays it to the designated person or business.
- The financial institution makes a monthly record of the deposits and withdrawals made available to you either by mail or online. This is called a bank statement.

It is a good idea to compare the rules of the different accounts. For example: some banks might require you to have a certain balance to open an account, earn interest, or avoid fees. This is usually called a minimum balance.

Savings Accounts: A savings account is a safe place for you to save money. You generally will be paid interest on the money in your savings account, but you usually cannot write checks from this type of account.

- You can often open a savings account with a few dollars, but you might pay a monthly fee if the balance is below a certain amount.
- You can keep track of your account balance by reviewing the account statement.

Don't Forget About Interest: One of the advantages of having a bank account is the interest you earn. Interest is a percentage of your balance that the bank pays you for keeping your money at that bank (if the account pays interest). Most savings accounts pay interest. It is less common for checking accounts to pay interest, but some may.

How to Write a Check:

1. Know where the routing and bank account numbers are
2. Write in the date
3. Write the person or entity (for example: a business or organization name) that you are paying
4. Write the numerical amount of the payment
5. Spell out the amount of payment
6. Sign your name, but don't sign the back! The person receiving the check signs the check to endorse it for deposit

John Doe
55 Main Street
City, State 55555

101

2 DATE April 16, 2019

3 PAY TO THE ORDER OF ABC Car Rental \$ 160.50 4

5 One hundred sixty dollars and 50/100 DOLLARS

Main Street Bank
Anytown, USA 09876

FOR: car rental 6 John Doe

123400089 0987654321 0101



Lesson 5: Bank Your Bucks

CHECKING AND SAVINGS ACCOUNTS *(continued)*

Name: _____

Now it's your turn! Practice filling in the blank check below.

John Doe 55 Main Street City, State 55555		101
DATE _____		
PAY TO THE ORDER OF _____	\$ _____	
_____		DOLLARS
Main Street Bank Anytown, USA 09876		
FOR: _____		
⑆123400089 ⑆0987654321 ⑈ 0101		



Lesson 5: Bank Your Bucks

BANK CHECKLIST

Name: _____

Using an Internet search engine, locate and review the offerings from three different financial institutions and complete the chart below.

Financial Institution Name and Account Type

1	
2	
3	

1. My Needs and Access	Financial Institution		
	1	2	3
Is the institution insured by FDIC (for banks and savings associations) or NCUA (for credit unions)?	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
If the institution is a credit union, am I eligible to join?	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
Do I feel welcome and valued as a potential customer?	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
Does the institution offer products and services I might need? (Mobile app, personal loans, vehicle loans, mortgages, credit cards, savings products, other)	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
Are the products and services described in terms and language I can understand?	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
Is staff available to answer my questions at times that work for my schedule? (In person, by phone, through online chat, secure email, other)	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
Can I access my account information how and when I need it? (Phone, paper, online, mobile, other)	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
Can I access my money how and when I need it? (Convenient ATM, branches, other)	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
Are there special accounts for students or groups I'm part of? What benefits are there to these accounts?	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
Other:			



Lesson 5: Bank Your Bucks

BANK CHECKLIST *(continued)*

Name: _____

2. Checking Accounts, Reloadable Prepaid Cards and other Transactional Accounts	Financial Institution		
	1	2	3
Minimum opening deposit?	\$	\$	\$
Minimum monthly balance?	\$	\$	\$
Will my money earn interest? If yes, what is the Annual Percentage Yield (APY)? What balance do I have to maintain to earn interest?	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
How can I deposit money? (Branch, ATM, online, mobile app, other)			
If I plan to deposit checks, how soon will the funds generally be available to me?			
Is there an online or mobile bill payment feature? How does it work?	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
Can I set up alerts, such as for low balances? If yes, can I choose how they are sent? (Email, text, phone, other)	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
What fees might I have to pay every month? What other fees are there? (Ask for a fee schedule)			
Other:			
3. Savings Accounts			
Minimum opening deposit?	\$	\$	\$
Minimum monthly balance?	\$	\$	\$
What is the Annual Percentage Yield (APY)? What balance do I have to maintain to earn interest?			



Lesson 5: Bank Your Bucks

BANK CHECKLIST *(continued)*

Name: _____

3. Savings Accounts	Financial Institution		
	1	2	3
What fees might I have to pay every month?			
What other fees are there? (Ask for a fee schedule)			
Other:			

4. Debit Cards and ATM (Automated Teller Machine) Cards			
Will I get a debit card or an ATM card?	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
When?			
Are there rebates, bonuses, or other rewards for using a debit card?	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
Can I set up alerts, such as for when the card is used?	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
If yes, can I choose how to receive them? (Email, text, phone, other)			
What fees might the card have? (Ask for a fee schedule)			
Other:			

5. Overdrafts and Overdraft Fees			
<i>An overdraft occurs when a transaction goes through, but there is not enough money in your account to cover that transaction.</i>			
What are the overdraft practices that come with the account?			
Will the institution authorize and pay overdrafts caused by checks, other transactions using my account number, and automatic bill payments?	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
If I opt-in to an overdraft program, will the institution authorize and pay overdrafts caused by using ATMs and making everyday debit card transactions?	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No



Lesson 5: Bank Your Bucks

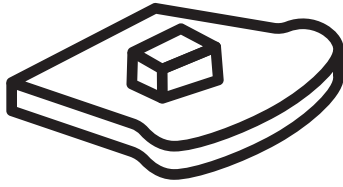
BANK CHECKLIST *(continued)*

Name: _____

5. Overdrafts and Overdraft Fees	Financial Institution		
	1	2	3
What fees does the institution charge related to overdrafts? (Ask for the overdraft disclosure and fee schedule)			
Can the institution link my savings account to my checking account to avoid an overdraft?	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
If yes, are there fees?			
Other:			

6. Other Available Services			
<i>"Person-to-Person" (P2P) Payments</i> Can I transfer money directly to another person? How does the service work and how quickly would the recipient receive my payment? (Ask for a fee schedule)	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
<i>Money Orders</i> Can I purchase money orders? (Ask for a fee schedule)	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
<i>Remittance Transfers</i> Can I send money to a person or business in another country? (Ask about a specific country if one is important to you, and ask for a fee schedule)	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
<i>Safe Deposit Boxes</i> Can I rent a safe deposit box? What size? (Ask for a fee schedule)	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
<i>Third Party Access</i> If someone helps manage my banking relationship, what information can they receive on my behalf? How would I authorize them to receive this information?			
Other:			

Overall Comparison			
Based on the above information, which one do you think will work better for you?	This one ☐	This one ☐	This one ☐



Lesson 6: Bread-And-Butter

TOPIC: Managing Your Paycheck

OVERVIEW:

Whether teens already have their first job or are considering work for the first time, they will be eager to learn how their **paycheck** works. Decoding paycheck mysteries for teens and young adults, such as differentiating between **gross** and **net income** and **personal exemptions**, this lesson puts student-centered activities at the forefront to demonstrate how managing a paycheck takes practice and strategy.

OBJECTIVES:

1. Decode and identify elements of a paycheck
2. Discuss how taxes, personal exemptions, and deductions impact net pay
3. Explain how to calculate gross and net income
4. Discuss the IRS Form W-4

INDIVIDUAL HANDOUTS:

- Paycheck Pros
- Paycheck Puzzle

GROUP HANDOUTS:

- None

TEACHER PRESENTATION SLIDES:

- Deduction Introduction
- Paycheck
- Solve That Paycheck Problem

ESSENTIAL QUESTIONS:

- What is the difference between gross and net income?
- What are deductions?
- How much do I pay in taxes and why?

ASSESSMENT ACTIVITIES:

Pre-Assessment:

- **Activity:** Deduction Introduction

Post-Assessment:

- **Handout:** Paycheck Pros*
- **Handout:** Paycheck Puzzle*
- **Wrap up Activity:** Solve That Paycheck Problem
- **Slides:** The Best Methods

*Money Smart Portfolio Handouts

Time: 60 min

Subject Connections:

- English Language Arts
- Math

Supplies:

- Projector (for teacher presentation slides)
- Access to the Internet (optional)

Preparation:

- Make copies of student handout
- Set up projector with presentation slides

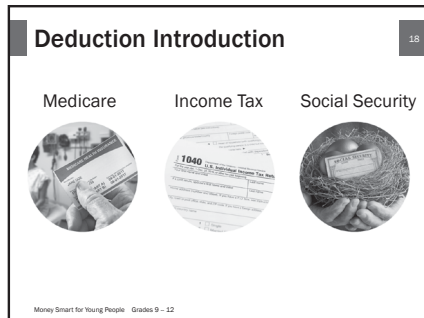
Glossary with key vocabulary 16

Instruction Steps

WARM UP

Deduction Introduction

20 MINUTES



Display the ***Deduction Introduction*** slide and **ask students** to guess what each picture represents and how they might relate to a paycheck (e.g., how the nest with eggs represents the Social Security deduction because Social Security provides a “nest egg” of savings to live on in retirement).

Encourage students to share their ideas, and then explain that the images represent **deductions** on a paycheck, or income subtracted from a paycheck, for **income tax**, **Medicare** tax, and **Social Security** tax.

MONEY SMART TIP!

Help students understand that Medicare and Social Security are part of FICA (Federal Insurance Contributions Act) and may appear on their paychecks as such. For more information about FICA, encourage students to visit the history of Social Security by reviewing the Social Security Administration’s website at www.ssa.gov/history/hfaq.html.

Ask students whether they have heard of these deductions before and what they know about them. Using the glossary on page 147 as a guide, share the definitions of each term with students and then invite volunteers to share their ideas for why we pay taxes.

Explain that taxes not only help support national programs such as Medicare, but state and city taxes also help maintain safe highways, schools, clean and accessible water, fire and police stations, libraries, and many more public services that all citizens can benefit from.

Grade Level Modifications:

Beginner: Share with students a short reading from the Internal Revenue Service (IRS) about why citizens pay taxes, such as the brochure *Why Do I Have to Pay Taxes?* available at www.irs.gov/pub/irs-pdf/p2105.pdf. Use the reading as a tool for discussing the purpose of taxes.

Advanced: Have students create a list of questions they have about taxes and then challenge them to research the IRS website to find answers. Students can present their questions and answers to the class and work together to compile them into a comprehensive tax guide that can be shared with family, friends, and the community.

MONEY SMART TIP!

Review with students how to file state and federal income tax returns. Visit the IRS US Tax Center website for complete information on tax resources. www.irs.gov

Additionally, lesson plans, simulations, and activities related to taxes can be found at <http://apps.irs.gov/app/understandingTaxes/index.jsp>. Please note the resources are based on 2014 tax laws.

GUIDED EXPLORATION

Paycheck Elements

20 MINUTES

Paycheck

Bank Main Street

Electric Electronics Inc.
800 Electronic Avenue
Mobile, MA 02548

CHECK NO. 2756
Date 9/15/14

PAYROLL CHECK

Pay to the order of Jerome Roberts
\$ 466.34

4518542104 4567891234567890

Signature

Electric Electronics Inc.
800 Electronic Avenue
Mobile, MA 02548

Earnings Statement

Period	Rate	Hours	Gross Pay	Fixed Deductions	Flexible Deductions	Net Pay
Regular	15.00	15.00	225.00	10.00	0.00	215.00
Overtime	22.50	5.00	112.50	0.00	0.00	112.50
Total		20.00	337.50	10.00	0.00	327.50

Fixed Deductions: 10.00
Flexible Deductions: 0.00
Net Pay: 327.50

Money Smart for Young People Grades 9–12

Show students the **Paycheck** slide and explain each part of the sample paycheck. A complete definition for each tax is available in the glossary on page 11.

Explain the different deductions found on the paycheck, and emphasize the difference between fixed deductions, such as those that everyone pays like federal taxes, and flexible deductions, such as those that employees can control, like contributing to a 401k retirement account or moving money directly into a savings account.

Distribute the **Paycheck Pros** handout and review part one together as a class. Discuss the differences between gross versus net pay and then challenge students to complete the sample net pay calculation.

Grade-Level Modifications:

Beginner: Arrange students in small groups of four to five and challenge each group to brainstorm a list of fixed and flexible deductions. Invite each group to share their brainstorms and use student ideas to facilitate a discussion on the differences between fixed and flexible deductions.

Advanced: Introduce students to the W-4 Form (www.irs.gov/pub/irs-pdf/fw4.pdf) and explain that, when you get a job, an employer will ask you to fill one out. Explain that the W-4 is where personal exemptions are defined and that employers use the form to evaluate a new employee's tax situation and to determine how much tax money should be withheld from a paycheck. Next, have students explore the concept of personal exemptions by using an online paycheck calculator. Challenge students to change the number of exemptions and recalculate, assessing and recording the fluctuations in federal and state withholdings when exemptions are changed.

Next, ask students: *What do you do with a paycheck once you receive it?*

Have students complete part two of the **Paycheck Pros** handout, and invite volunteers to share their answers with the class.

Encourage students to contemplate the benefits of directly depositing paychecks versus check cashing. (For example: depositing money into a bank account or a payroll card can be less expensive than check cashing because you can pay costly fees for cashing a check.) Explain if you are converting your entire paycheck into cash, it may be harder to safely save money for the future.

MONEY SMART TIP!

Share with the class the U.S. Treasury's Go Direct website (www.godirect.org) and inform students that it is a resource for direct deposit for recipients of federal benefits.

INDEPENDENT EXPLORATION

Decoding Paychecks

15 MINUTES

Solve That Paycheck Problem				
Gross and Net	Fixed and Flexible	Paycheck Anatomy	Job Lingo	Name that Acronym
\$100	\$100	\$100	\$100	\$100
\$200	\$200	\$200	\$200	\$200
\$300	\$300	\$300	\$300	\$300
\$400	\$400	\$400	\$400	\$400
\$500	\$500	\$500	\$500	\$500

Note: These activities are more independent than the Guided Exploration activities and may be used as homework assignments, collaborative group work, or independent study.

Distribute the **Paycheck Puzzle** handout and divide the class into small groups to complete the activity.

Alternatively, the paycheck on this handout may be used to play an interactive game with the **Solve That Paycheck Problem** presentation slides. Teachers may also create their own series of questions based on paycheck categories (For example: gross and net pay, fixed and flexible deductions, items on a paycheck, etc.) by using online templates (For example: www.lifewire.com/free-jeopardy-powerpoint-templates-1358186).

If having students work independently, invite them to share their answers and engage in classroom discussion. If using handout as a game, spend time discussing the answers so students develop a clear understanding of each component of Sakina's paycheck.

WRAP UP

Take-Home Pay

5 MINUTES

Close the lesson by asking students to reflect on factors that affect final take-home pay. This can be done as a whole-class discussion, or individually with students writing down a list of factors on a separate piece of paper.

Extended Exploration

Note: Use the following ideas to extend financial literacy concepts throughout the school year within core content areas through English Language Arts, Math, Social Studies and Economics, and Technology activities, projects, and discussions. Duration of activities will vary.

ENGLISH LANGUAGE ARTS

Writing Prompts:

Should the wealthy pay taxes at higher rates or will raising taxes on the wealthy have a negative impact on the economy? Choose a position and support your argument.

Reflect on and explain the purpose of Article 1, Section 8, Clause 1 of the United States Constitution: “The Congress shall have the Power to lay and collect Taxes, Duties, Imposts and Excises to pay the Debts and provide for the common Defense and general Welfare of the United States.”

Suggested Readings:

Teens and Income Taxes: The Five Most Significant Things Your Teen Needs to Know About Income Taxes by The Balance. An overview of income tax tips to share with young adults.

www.thebalance.com/teens-and-income-taxes-2610240

Why Do I Have to Pay Taxes? by the IRS: A brochure that explores the purpose of taxes and how tax money is used.

www.irs.gov/pub/irs-pdf/p2105.pdf

MATHEMATICS

Activity/Project Ideas:

Challenge students to calculate net pay with different variables and deductions, such as education credits, charitable contributions, or child credits (visit the IRS for a complete list of credits and deductions at www.irs.gov/Credits-&-Deductions). Have students practice calculating net pay first on their own and then with the use of online calculators.

SOCIAL STUDIES AND ECONOMICS

Discussion Topics:

Have students review a current events article addressing tax evasion or tax avoidance, such as one highlighting tax problems for a celebrity, athlete, or public figure. Use the article to discuss how tax evasion or avoidance affects the greater economy and what punishments one faces for such acts.

Activity/Project Ideas:

Challenge students to research the United States Constitution and define and then discuss the articles and amendments that relate to tax issues, such as the Sixteenth Amendment (“The Congress shall have the power to lay and collect taxes on income, from whatever source derived, without apportionment among the several States, and without regard to any census or enumeration”).

TECHNOLOGY

Online Resources:

Income Tax Tools and Calculators: A series of calculators that can be used for income tax calculations, such as a 1040 tax calculator, and estimating self-employment taxes.

www.360financialliteracy.org/Calculators

Refund Rush Game by Financial Entertainment: An interactive game that allows students to make decisions on how to save and spend tax refunds.

How to Decode Your Paycheck by The Mint: Tips on how to read a paycheck and understand deductions.

www.themint.org/teens/decoding-your-paycheck.html

Classroom activities from the Consumer Financial Protection Bureau (CFPB)

The CFPB has developed a set of classroom activities to help teachers develop and support the building blocks of financial capability in their students. Each activity is designed to be completed within a single class period and includes a teacher guide and supporting student material. Some specific activities that are relevant to this lesson include:

Choosing how to get paid

Students explore a range of common payment methods and schedules employers use and consider the pros and cons of each. They then apply their learning by voting on their preferred methods in a class-wide poll.

www.consumerfinance.gov/practitioner-resources/youth-financial-education/teach/activities/choosing-how-to-get-paid/

Investing taxes in your life

Students play a game to explore how tax revenues pay for various events and services they encounter in daily life.

www.consumerfinance.gov/practitioner-resources/youth-financial-education/teach/activities/investigating-taxes-your-life/

Understanding jobs, teens and taxes

Students review Internal Revenue Service webpages and respond to questions to explore the relationship between working and taxes.

www.consumerfinance.gov/practitioner-resources/youth-financial-education/teach/activities/understanding-jobs-teens-taxes/

Answer Key

Student Handout 1:

Paycheck Pros

What is Isaac's net pay? **\$121.10**

Scenario 1: Tony

How much does Tony pay each month to cash his paychecks? **\$20–\$25**. Typically, \$20 a month (4 weeks x \$5 per week = \$20). However, there may be a few months when he pays \$25, depending on which day he cashes his check.

How much does Tony pay each year? **\$260** (52 weeks x \$5 per week = \$260/year)

Scenario 2: Lamar

How much did Lamar pay this month in fees when using his stored-value card at an ATM?

\$8 (4 transactions x \$2)

How much would Lamar pay each year in fees if he used his stored-value card at an ATM an average of four times each month?

\$96 (\$8 x 12)

Scenario 3: Sylvia

How much does she pay to maintain her checking account?

\$18 (for the checks), because she is able to avoid the monthly maintenance fee.

Comparing Scenarios

How much can Tony save each year if he opens a checking account and pays what Sylvia does?

Tony could save \$242 a year (\$260 – \$18).

Even if Tony pays a \$6 monthly fee for a total of \$72 a year, plus the cost of the checks (\$18), how much could he save each year?

\$170 (\$72 + \$18 = \$90 – \$260 = \$170)

How much can Lamar save each year if he opens a checking account and pays what Sylvia does?

\$78 (\$96 – \$18)

Student Handout 2:

Paycheck Puzzle

1. Why is my net pay different from my gross pay?
Net pay is after tax deductions, which are used to help support national programs such as Medicare and Social Security, as well as state and city public services, including maintaining highways, schools, and libraries.
2. Can you explain to me how my net pay is calculated?
$$\text{Gross Income} - \text{Deductions} = \text{Net Pay}$$
3. What do each of the different deductions on my paycheck mean?
Can you explain them to me?
Federal and State Income Tax: tax paid on earned income to support national and local public services
Medicare Tax: tax paid to support the Medicare government program to provide medical care for retirees and others who qualify
Social Security: tax paid to support the Social Security government program to provide financial assistance to retirees and others who qualify
Savings: directly depositing earned income into a personal savings or retirement account
4. Do I have any control over the amount of deductions on my paycheck?
While Sakina is required to withhold federal and state income tax, Medicare, and Social Security, she is able to control the amount of money that goes directly into savings.



Lesson 6: Bread-and-Butter PAYCHECK PROS

Name: _____

PART 1: GROSS VERSUS NET INCOME

Gross income is your total income before deductions.

Net income is your total income after deductions (for example: federal and state income taxes, Social Security taxes, retirement savings contributions, and premiums for medical insurance).

$$\text{Gross income} - \text{deductions} = \text{Net income}$$

MEET ISAAC

Isaac earns \$10 an hour. During his last pay period, he worked a total of 16 hours. Below is the list of his deductions. Help Isaac calculate his net pay.

Gross pay: \$160.00

Deductions:

Federal Income Tax: \$20.00

State Income Tax: \$7.50

Social Security: \$9.00

Medicare: \$2.40

Show your math

What is Isaac's net pay?

PART 2: YOU HAVE A PAYCHECK...NOW WHAT?

What are your choices once you receive a paycheck? Read each scenario and answer the questions to compare costs and determine who saves more money once they receive his or her paycheck.

Scenario 1: Tony

Tony does not have a bank account so he pays a fee to cash his weekly paycheck. The place he cashes his check charges Tony \$5 to cash every check.

How much does Tony pay each month to cash his paychecks?

How much does Tony pay each year?



Lesson 6: Bread-and-Butter

PAYCHECK PROS *(continued)*

Name: _____

Scenario 2: Lamar

Stored-value cards, or prepaid cards, generally allow you to spend only the money deposited on the card. Payroll cards are one of four main types of stored-value card. They are used by an employer to pay wages instead of giving you a paper paycheck. Payroll cards are different from other types of stored-value cards because you do not need to purchase them or pay activation fees, since your employer provides the card.

Lamar opts to have his paycheck deposited onto a stored-value card that he purchased for \$5 because his employer does not offer payroll cards. Money can be “loaded” onto the card via direct deposit or by going to certain stores. It has a major credit card issuer logo on it, so he can use it anywhere, just as with a credit or debit card. Lamar can use his stored-value card at an ATM, but the card issuer charges \$2 for every ATM transaction. Lamar mostly uses his card at stores, where he slides his card through the point-of-sale (POS) terminal, but this month he used the ATM four times.

1. How much did Lamar pay this month in fees when using his stored-value card at an ATM?
2. How much would Lamar pay each year in fees if he used his stored-value card at an ATM an average of four times each month?

Scenario 3: Sylvia

Sylvia has a checking account. The bank charges a monthly fee of \$6 unless she uses direct deposit or her debit card more than five times per month.

1. If Sylvia uses direct deposit or her debit card frequently and she uses no more than one box of checks every year, which cost her \$18, how much does she pay to maintain her checking account? (Show your math.)

Comparing Scenarios:

1. How much can Tony save each year if he opens a checking account and pays what Sylvia does?
2. Even if Tony pays a \$6 monthly fee for a total of \$72 a year, plus the cost of the checks (\$18), how much could he save each year?
3. How much can Lamar save each year if he opens a checking account and pays what Sylvia does?



Lesson 6: Bread-and-Butter PAYCHECK PUZZLE

Name: _____

Hi! I'm Sakina. I'm 21 years old and I just graduated from cosmetology school. I recently started my first job and it's so exciting to be earning a paycheck! I work in a salon about 15 hours a week answering phones and cleaning up. Sometimes I get to help shampoo customers, and I love that! My goal is to have my own stylist chair someday, so I love it when I can help with customers every day. I make \$12.50 an hour, but it seems like my paycheck doesn't go very far. I'm just not sure where all my money goes and why I don't get to keep the full \$12.50 an hour.

Can you help?

Review Sakina's paycheck and paystub below and help answer her questions.

- I thought I was earning \$12.50 an hour, but my paycheck is less than that.
Why is my net pay different from my gross pay?
- I'm not sure how my net pay is determined.
Can you explain to me how my net pay is calculated?
- What do each of the different deductions on my paycheck mean?
Can you explain them to me?
- Do I have any control over the amount of deductions on my paycheck?

Styles Salon and Spa Earnings Statement							
21 Salon Drive Dansville, MS 89743							
Employee No.	Employee Name		Social Security No.		Period Beg.	Period End	Check Date
543210	Sakina Bhat		xxx-xx-4321		09/01/2019	09/07/2019	09/07/2019
Earnings	Hours	Rate	Current Amount	Withholdings/Deductions		Current Amount	Year to Date
Regular pay	15.00	12.50	187.50	Federal Income Tax: State		\$14.42	\$14.42
				Income Tax: Medicare		\$5.00	\$5.00
				Tax: Social Security Tax:		\$2.72	\$2.72
				Savings:		\$11.63	\$11.63
						\$0.00	\$0.00
Gross Pay	Current Deductions		Net Pay	YTD Earnings	YTD Deductions	YTD Net Pay	Check No.
187.50	33.77		153.73	187.50	33.70	153.73	2756



Lesson 7: Capacity, Character, Collateral, Capital

TOPIC: Credit

OVERVIEW:

Young adults are faced with **credit** offers all the time, and knowing what to do when approached with an offer can mean a major difference in a teen's financial future. This lesson walks students through the process of getting credit, analyzing good and bad credit, and how to manage and harm one's credit. By the end of the lesson, students will demonstrate their understanding of how credit is earned and possess a greater understanding of the consequences of poorly managing one's credit.

OBJECTIVES:

1. Define creditworthiness
2. Evaluate positive and negative types of credit
3. Explain credit factors and risks and how credit scores work
4. Discuss how to maintain or increase credit score
5. Explain how credit is damaged

INDIVIDUAL HANDOUTS:

- The Four Cs of Credit
- The Four Cs Challenge
- Manage or Damage?
- Creditworthiness Comic

GROUP HANDOUTS:

- none

TEACHER PRESENTATION SLIDES:

- Predatory Lending
- Types of Loans (3)
- The Four Cs of Credit
- Credit Report
- Managing Debt

ESSENTIAL QUESTIONS:

- What is credit?
- How can I be creditworthy?
- What are ways to manage my credit?

ASSESSMENT ACTIVITIES:

Pre-Assessment:

- **Activity:** What Is Credit?

Post-Assessment:

- **Handout:** The Four Cs Challenge*
- **Handout:** Manage or Damage?*
- **Handout:** Creditworthiness Comic*

*Money Smart Portfolio Handouts

Time: 75 min

Subject Connections:

- Art
- English Language Arts

Supplies:

- Sticky notes and poster board (optional)
- Projector (for teacher presentation slides)
- Access to the Internet (optional)

Preparation:

- Make copies of student handout
- Set up projector with presentation slides

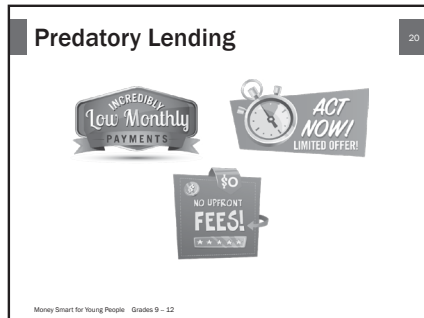
Glossary with key vocabulary 16

Instruction Steps

WARM UP

What is Credit?

15 MINUTES



Open the lesson by displaying the **Predatory Lending** slide.

Ask students to reflect on what the statements on the slide mean, and explain that credit offers are everywhere and that it is important to understand how credit works and not be lured in by predatory advertising (for example: advertising that is intended to exploit others for personal gain or profit). Remind students that, if an offer sounds too good to be true, then it likely is.

Engage the class in a brief discussion about what credit is and factors in deciding whether or not to use credit.

Explain that credit is the ability to borrow money, and that when you borrow money on credit, you are getting a loan. Use the glossary to review with students the definitions of credit and loans.

Ask students to share their ideas about when someone might use credit and borrow money.

Help students understand that saving money and waiting to make a purchase is an alternative to credit. In some cases, though, credit offers the chance to invest in something that has the potential to provide a return greater than the cost of credit, such as a student loan or purchase of a home, in order to increase long-term earning potential. Credit can also help people get through emergencies and unexpected job loss.

Explain that credit is inherently neither good nor bad, but it can be either, depending on how it is used.

GUIDED EXPLORATION

How Credit Works

25 MINUTES

Ask students to think about an instance when they might need to borrow money in the future (for example: when it is something they need but do not have the cash to pay for, such as a home or vehicle). Explain that there are different types of loans depending on an individual's credit needs. These include **credit cards, consumer installment loans, school loans, and home loans or mortgages.**

MONEY SMART TIP!

Refer to Lesson 8, *The Almighty Dollar?*, for more information about credit cards.

Types of Loans 1

21

With a CREDIT CARD, you can...

- Buy goods or services and pay for them over time
- Borrow money for household, family, and other personal expenses
- Get into big trouble if you're not careful with spending
- Either build a positive credit history or damage it depending on how you manage the card.

Money Smart for Young People Grades 9 - 12

Display the three **Types of Loans slides** and walk students through each type of loan. Help students understand that credit cards give you the ongoing ability to borrow money for household, family, and other personal expenses; however, if you're not careful in spending, you can get into big trouble and become burdened with debt.

Bring rent-to-own services into the discussion and have students compare and contrast rent-to-own services versus paying for something with cash or credit card, applying for an installment loan, or saving enough money to purchase the item.

Types of Loans 2

22

With a CONSUMER INSTALLMENT LOAN, you...

- Can pay your personal expenses and your family's expenses
- Can pay the same amount each month in installments for a set period of time
- Can either build or damage credit, by whether you repay the loan on time as you agreed

Money Smart for Young People Grades 9 - 12

Show students that, whereas the rent-to-own payments may seem less expensive, you may end up paying much more for something than if you paid with cash.

Begin introducing the concept of creditworthiness by helping students understand that, in order to borrow money, you have to show that you are able to responsibly pay back the money. Lenders take a risk when loaning you money, and not paying loans on time and in full can influence whether or not you are able to borrow money again in the future.

Types of Loans 3

23

With a HOME LOAN (mortgage), you can...

- Borrow money for the purpose of buying a house
- Build positive credit by paying on time
- Damage credit by skipping payments or paying late

Money Smart for Young People Grades 9 - 12

MONEY SMART TIP!

Review with students the Equal Credit Opportunity Act (ECOA) (www.consumer.ftc.gov/articles/0347-your-equal-credit-opportunity-rights) and discuss how the act ensures that all creditworthy applicants are given an equal chance to obtain credit.

The Four Cs of Credit

24

Money Smart for Young People Grades 9 - 12

Display the **Four Cs of Credit** slide and explain to students that, when you apply for credit, the lender will review the Four Cs to decide whether you are a good credit risk and will be able to successfully pay back the loan. Distribute **The Four Cs of Credit** and **The Four Cs Challenge** handouts and ask for volunteers to read the details for each of the Four Cs to the class. Next, give students time to complete The Four Cs Challenge individually, and then regroup to discuss student answers.

Grade-Level Modifications:

Beginner: Complete **The Four Cs Challenge** handout together as a whole class.

Advanced: Give students the opportunity to practice filling out an application for a credit card, student loan, car, or home.

INDEPENDENT EXPLORATION

Manage and Damage Credit

25 MINUTES

Credit Report

25

Example Credit Report

Personal Information				
Name	John Doe	Address	123 Main St	City/State/Zip
Phone	(555) 123-4567	Employer	ABC Corp	City/State/Zip
Current Address	123 Main St	City	Anytown	State/Zip
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Current Address	123 Main			

Note: These activities are more independent than the Guided Exploration activities and may be used as homework assignments, collaborative group work, or independent study.

To help assess the Four Cs, explain to students that lenders will review your credit report. Display the **Credit Report** slide to show students an example of what a credit report looks like.

Next, have students review **The Four Cs Challenge** handout, and explain that a credit report is a record of your financial behaviors, and it includes:

- Who you are
- How much debt you have
- Whether you have made payments on time
- Whether there is negative information about you in public records

MONEY SMART TIP!

Share with students the three major credit-reporting agencies: Equifax (www.equifax.com), Experian (www.experian.com), and TransUnion (www.transunion.com).

Next, explain that a credit report is used to calculate a credit score. A great majority of lenders use the FICO[®] credit score, which is a number that ranges from 300 to 850; the higher your score, the greater your creditworthiness and the less risky you are to a lender. A credit score is a quick and easy way for a lender to assess your creditworthiness. A credit score is used to predict how likely an individual is to repay a new loan based on information in his or her credit report. The factors that determine your credit score include payment history (35%), outstanding debt (30%), credit history (15%), pursuit of new credit or credit inquiries (10%), and types of credit in use (10%). Credit is granted based partially on your credit score. Lenders also check your credit score when you apply for a credit card or before you can rent a new apartment. Each time you demonstrate a financial behavior, such as paying bills (whether late or on time) or opening up a new line of credit, your credit score is continually updated to reflect your ability to successfully manage finances.

MONEY SMART TIP!

Share with students the resource website <http://AnnualCreditReport.com> and explain that federal law makes it so everyone can have access to his or her free credit report once every 12 months from each of the credit bureaus.

Distribute the ***Manage or Damage?*** handout and divide the class into pairs. Have pairs discuss each scenario and determine whether the actions are managing or damaging credit.

Invite volunteers to share their assessments and discuss why actions can be helpful or harmful in determining one's creditworthiness.

Managing Debt

- Am I overextending myself?
- Have I researched and compared rates (using the APR)?
- Do I have a plan in place for paying off the borrowed money?

Money Smart for Young People Grades 9–12

Next, display the ***Managing Debt*** slide and discuss each of the questions as they relate to the scenarios on the ***Manage or Damage?*** handout. Using the guided prompts below, facilitate a discussion on how to discern if debt is manageable. For additional information on debt management strategies, visit the Federal Trade Commission's Credit and Loans web page at www.consumer.ftc.gov/topics/credit-and-loans.

Am I overextending myself?

Overextending yourself means that you are spending more with credit than what you are able to pay off. Ethan's story is an example of overextension because he has taken on more credit card debt than he can afford to pay off. Rather than managing debt, Ethan's debt is managing him because he is stuck in a cycle of seeking more credit to pay off previously borrowed funds. This type of overextension means that even if Ethan continues to make minimum payments on his balance, as long as he continues to charge more on the card than he pays off, he will never resolve the debt in full. Likewise, Imani has also overextended herself because she did not account for how to manage her cell phone expenses if she lost her source of income. To determine if borrowing money could lead to overextension, it is helpful to ask yourself the following questions: If something significant in my finances changed today, such as a job loss or death in the family, would I still be able to pay back my debt? Do I have enough savings to cover a financial emergency? Will I have trouble paying my other bills if I choose to borrow money?

Have I researched and compared interest rates?

People pay interest on the money they borrow. The more time it takes to pay back borrowed money, the more a person pays in interest. To successfully manage debt, it is necessary to research loan options and select one with the lowest rates. The cost of borrowing money is expressed as the Annual Percentage Rate (APR). For instance, Eli reviewed three different credit card options before deciding to open one. This means he conducted research and analyzed the terms of each. By researching ahead of time, Eli understood exactly what he was committing to and could develop a plan for paying off the debt by paying the bill in full every month. You can check with banks in your community to research credit card options, and you can find resources available online to assess your choices. Your time shopping

around can save you money. Even if an advertisement suggests a card is a great deal, you may be able to find a card that meets your needs at a lower cost through a little research.

Do I have a plan in place for paying off the borrowed money?

Before borrowing money, it is important to define a plan for paying off the debt prior to taking it on. In Ethan's case, the lack of a plan led to a debt cycle that is difficult to get out of. Likewise, Imani didn't fully plan for how to handle her expenses in the event of no longer working. Thinking about what to do if she lost her sole source of income is an important part of developing a plan before committing to credit. In contrast to Ethan and Imani, Eli researched credit terms and developed a strategy to pay off his bill in full each month. In addition to paying off credit card balance each month, other strategies in a debt management plan may include the following: paying attention to credit history and checking credit score regularly, tracking borrowing habits and adjusting to fit financial needs, and shopping around for the best terms before seeking credit.

MONEY SMART TIP!

Have students read an article about how social media can influence lenders' perceptions of you, such as *Could Your Facebook Friends Affect Your Creditworthiness?* (<http://pittsburgh.cbslocal.com/2013/09/04/could-your-facebook-friends-affect-your-creditworthiness>). Use the article as a discussion tool to address the ramifications of sharing personal information online. Refer to Lesson 20, ***Protect Yourself***, for more information on consumer protection.

WRAP UP
How to be Creditworthy

10 MINUTES

Close the lesson by having students complete the ***Creditworthiness Comic*** handout. Alternatively, students may use the prompts from the handout to create a digital comic strip or perform an in-person skit. Additional time will be needed for these alternate activities.

Create a Digital Comic Strip

To create a digital comic strip, students should follow the same prompts from the *Creditworthiness Comic* handout to construct a three-frame comic including an introduction, middle, and end that demonstrates a character's creditworthiness. Students may use presentation software to develop the comic strip or a free online comic book creator such as www.storyboardthat.com/storyboards/556de3fe/credit-score-comic.

Perform a Skit

Arrange students into small groups and have each member claim a role in the skit (e.g., main character, supporting character, narrator). Working collaboratively, have groups write a script for their skit using best practices in narrative writing. For example, skits should include, at a minimum, the following: (1) an introduction or beginning to the story, (2) a middle in which there is conflict or action that needs to be solved, and (3) an ending where the resolution takes place and the characters(s) have demonstrated creditworthiness.

In addition to using the ***Creditworthiness Comic*** handout in the ***Money Smart Portfolio***, have students publish their creditworthy comics in the school newspaper or classroom blog, or compile them into one packet that can be shared with families and peers. For further extension, have students write a short story or narrative to accompany their comic.

Extended Exploration

Note: Use the following ideas to extend financial literacy concepts throughout the school year within core content areas through English Language Arts, Math, Social Studies and Economics, and Technology activities, projects, and discussions. Duration of activities will vary.

ENGLISH LANGUAGE ARTS

Writing Prompts:

How do you know which credit offers are legitimate? How could you tell if an offer was deceptive?

What are some consequences that might arise if one is living only on credit?

What are the consequences of mismanaging credit?

Suggested Readings:

Steps to Get and Keep a Good Credit Score by Consumer Finance.gov: A brochure with steps to take to maintain a good credit score by paying attention to your credit report. http://files.consumerfinance.gov/f/2011/07/CFPB_20110719_CreditScoresFlyer.pdf

Could Your Facebook Friends Affect Your Creditworthiness? by Pittsburgh CBS Local News: An article exploring how sharing information on social networks may impact your creditworthiness. <http://pittsburgh.cbslocal.com/2013/09/04/could-your-facebook-friends-affect-your-creditworthiness/>

MATHEMATICS

Activity/Project Ideas:

Challenge students to calculate interest on ongoing credit card balances to demonstrate the true cost of credit. For example: have students play the “I Paid How Much?” quiz from **TheMint.org**, which presents different finance charges for students to explore.

www.themint.org/teens/i-paid-how-much.html

SOCIAL STUDIES AND ECONOMICS

Discussion Topics:

Debate and discuss the ways consumer credit card debt impacts the economy. For example: explore the dichotomy between fueling the economy through credit consumption versus how that same consumption leaves consumers with massive amounts of debt.

Is buying on credit hurting or helping the economy?

Is it hurting or helping the consumer?

Invite students to bring the discussion of credit home and to ask parents and family members if they use credit cards or borrow money for large purchases such as a home or vehicle.

Activity/Project Ideas:

Encourage students to research laws that are in place to help protect consumers from predatory lenders. Have students share what they learn with the class. For example: have students visit Consumer Complaints and Protection at **USA.gov** (**www.usa.gov/consumer**) and the Federal Trade Commission’s Bureau of Consumer Protection at **FTC.gov**. **www.ftc.gov/about-ftc/bureaus-offices/bureau-consumer-protection**

Review and discuss historical mortgage lending practices and how home loans contributed to the financial crisis of 2008. Show students all or part of the hour-long PBS video, Inside the Meltdown, which provides an overview of the crisis

(**www.pbs.org/wgbh/pages/frontline/meltdown/view**), or review Chairman Ben Bernanke’s speech at the Federal Reserve System Conference on Housing and Mortgage Markets on December 4, 2008. **www.federalreserve.gov/newsevents/speech/bernanke20081204a.htm**

TECHNOLOGY

Online Resources:

Annual Credit Report: A website allowing you to obtain a free credit report every 12 months. **www.annualcreditreport.com/index.action**

Learn more about credit reports by visiting the websites of the three major nationwide credit-reporting agencies:

Equifax (**www.equifax.com**), Experian (**www.experian.com**), and TransUnion (**www.transunion.com**).

Spending Challenge by The Mint: A question-and-answer challenge that simulates the decision-making process when using credit.

www.themint.org/teens/take-the-spending-challenge.html

Credit and Loans by the Federal Trade Commission: A web resource listing tips for how to assess credit and loan offers, including information on credit reports and credit scores.

www.consumer.ftc.gov/topics/credit-and-loans

The Secret History of the Credit Card by PBS (60 minutes): A video detailing the history of credit cards, as well as an overview of the marketing tactics used to engage consumers in using credit cards.

<http://video.pbs.org/video/1340904268/>

Classroom activities from the Consumer Financial Protection Bureau (CFPB)

The CFPB has developed a set of classroom activities to help teachers develop and support the building blocks of financial capability in their students. Each activity is designed to be completed within a single class period and includes a teacher guide and supporting student material. Some specific activities that are relevant to this lesson include:

Distinguishing between credit myths and realities

Students analyze and make judgements about credit and borrowing statements in order to better understand the reality of debt.

www.consumerfinance.gov/practitioner-resources/youth-financial-education/teach/activities/distinguishing-between-credit-myths-realities/

Differentiating between secured and unsecured loans

Students explore characteristics of secured or unsecured types of credit by playing a sorting game.

www.consumerfinance.gov/practitioner-resources/youth-financial-education/teach/activities/differentiating-secured-unsecured-loans/

Role-playing borrowing and lending

Students take on the role of a borrower or a lender to pose questions, apply formulas to calculate interest, and evaluate data to inform borrowing and lending decisions.

www.consumerfinance.gov/practitioner-resources/youth-financial-education/teach/activities/role-playing-borrowing-lending/

Answer Key

Student Handout 1:

The Four Cs Challenge

1. Employment Information: Capacity
2. Monthly Income and Combined Housing Expense Information: Capacity
3. Declarations: Character
4. Assets (for example: checking and savings account, investment products, and vehicle) and Liabilities (for example: automobile or other loans, charge accounts, and other forms of debt): Capital and Collateral

Student Handout 2:

Manage or Damage?

Eli's Scenario: MANAGE. Eli pays attention to what he uses his credit card for and pays the bill in full at the end of every month.

Imani's Scenario: DAMAGE. Imani did not think long-term when she committed to a two-year contract. As a result, she is unable to meet her repayment responsibilities.

Ethan's Scenario: DAMAGE. Ethan failed to realize that, just because credit was available to him, he didn't need to use it all. He overextended himself and is considering going even deeper in debt to pay off his existing debt.

Student Handout 1:

Creditworthiness Comic.

Answers will vary. Use handout to assess student ability to demonstrate what it means to be creditworthy.



Lesson 7: Capacity, Character, Collateral, Capital

THE FOUR CS OF CREDIT

Name: _____

CAPACITY

Capacity refers to your present and future ability to meet your payments. A lender wants to see that you have a job and you have held the same job or the same type of job for at least a year.

Lenders may ask:

- Do you have a job?
- How much money do you make each month?
- What are your monthly expenses?

COLLATERAL

Collateral refers to property or assets you can offer to secure the loan.

Collateral is security you provide the lender. Giving the lender collateral means that you pledge an asset that you own (for example: a car) to the lender with the agreement that it will be the repayment source in case you cannot repay the loan.

Lenders may ask:

- Do you have assets to secure the loan beyond your capacity to pay it off?

CHARACTER

Character refers to how you have paid your bills or debts in the past.

Lenders may ask:

- Have you had credit in the past?
- How many credit accounts do you have?
- Have you ever filed for bankruptcy, had property repossessed, or made late payments?

CAPITAL

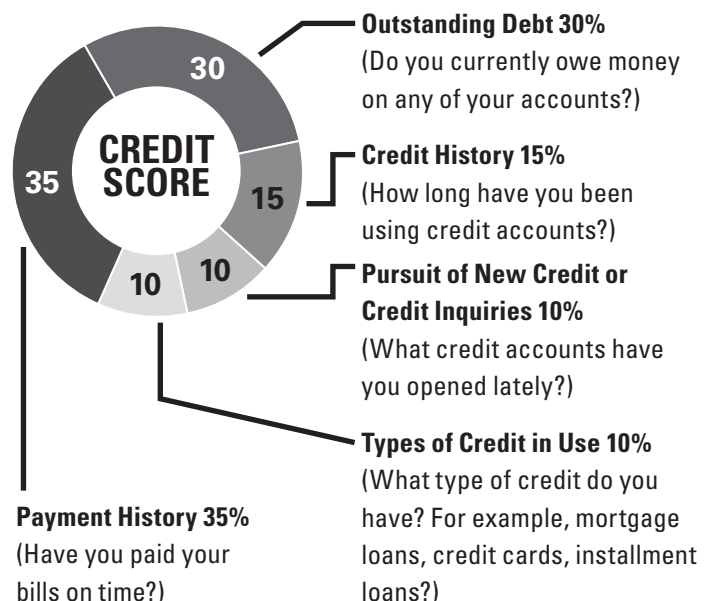
Capital refers to the value of your assets and your net worth. Lenders want to determine the value of your assets (things you own that have financial value). Lenders will also compare the value of your assets and the amount of debt you have. This is called *net worth*. A positive net worth demonstrates your ability to manage your money.

Lenders may ask:

- How much money do you have in your checking and savings accounts?
- Do you have investments (for example: stocks, bonds) or other assets (for example: a car)?

CREDIT SCORE

A credit score is used to predict how likely an individual is to repay a new loan based on information in his or her credit report. Your credit score is a number that is developed by a computer model based on the information in your credit report. It is intended to predict, for example, how likely you are to repay your debts. Keep in mind that credit scores may vary depending on which scoring services prepared them and which of the many different credit scoring models is being used. As an example, the factors that determine your credit score in one commonly used model include:





Lesson 7: Capacity, Character, Collateral, Capital

THE FOUR CS CHALLENGE

Name: _____

Lenders often determine an applicant's Four Cs during the loan application process. The following information is taken from the Uniform Residential Loan Application, which is the standard form used for mortgage loan applications. The questions are similar to applications for other types of loans.

Review each section and match the required information with the appropriate C: Capital, Collateral, Character, or Capacity. There may be more than one correct answer.

1. Employment Information: _____

Name & Address of Employer	☐ Self Employed	Dates (from – to)
		Monthly Income
Position/Title/Type of Business		Business Phone (incl. area code)
Name & Address of Employer	☐ Self Employed	Dates (from – to)
		Monthly Income
Position/Title/Type of Business		Business Phone (incl. area code)

2. Monthly Income and Combined Housing Expense Information: _____

Gross Monthly	Borrower	Co-Borrower	Total
Base Empl. Income*	\$	\$	\$
Overtime			
Bonuses			
Commissions			
Dividends/Interest			
Net Rental Income			
Other) before completing, see the notice in "describe other income," below"			
Total	\$	\$	\$

Combined Monthly Housing Expense	Borrower	Co-Borrower
Rent	\$	\$
First Mortgage (P&I)		
Other Financing (P&I)		
Hazard Insurance		
Real Estate Taxes		
Mortgage Insurance		
Homeowner Assn.		
Dues Other		
Total	\$	\$



Lesson 7: Capacity, Character, Collateral, Capital

THE FOUR CS CHALLENGE *(continued)*

Name: _____

3. Declarations: _____

DECLARATIONS

If you answer "Yes" to any questions a through e, please use continuation sheet for explanation.

	Borrower		Co-Borrower	
	Yes	No	Yes	No
a) Are there any outstanding judgments against you?	☐	☐	☐	☐
b) Have you been declared bankrupt within the past 7 years?	☐	☐	☐	☐
c) Have you had property foreclosed upon or given title or deed in lieu thereof in the last 7 years?	☐	☐	☐	☐
d) Are you a party to a lawsuit?	☐	☐	☐	☐
e) Have you directly or indirectly been obligated on any loan which resulted in foreclosure, transfer of title in lieu of foreclosure, or judgment?	☐	☐	☐	☐
(This would include such loans as home mortgage loans, SBA loans, home improvement loans, educational loans, manufactured (mobile) home loans, any mortgage, financial obligation, bond, or loan guarantee. If "Yes," provide details, including date, name, and address of Lender, FHA or VA case number, if any, and reasons for the action.)				

4. Assets (for example: checking and savings account, investment products, and vehicle) and Liabilities (for example: automobile or other loans, charge accounts, and other forms of debt): _____

Assets	Cash or Market Value	Liabilities and Pledged Assets. List the creditor's name, address, and account number for all outstanding debts, including automobile loans, revolving charge accounts, real estate loans, alimony, child support, stock pledges, etc. Use continuation sheet, if necessary. Indicate by (*) those liabilities, which will be satisfied upon sale of real estate owned or upon refinancing of the subject property.		
Description				
Cash deposit toward purchase held by:	\$			
List checking and savings accounts below		LIABILITIES	Monthly Payment & Months Left to Pay	Unpaid Balance
Name and address of Bank, S&L, or Credit Union		Name and address of	\$ Payment/Months	\$
Acct. no.	\$	Acct. no.		
Name and address of Bank, S&L, or Credit Union		Name and address of	\$ Payment/Months	\$
Acct. no.	\$	Acct. no.		



Lesson 7: Capacity, Character, Collateral, Capital MANAGE OR DAMAGE?

Name: _____

Sample credit report:

Example Credit Report						
<Date> 9/20/17	<Time> 12:15 p.m. CT					
		<SSN> 123-45-6789	<Birthdate> 7/27/72			
<Subject> Davis, Rashawn E.		<Telephone> (555) 222 -3333				
<Also known as> Davis, Ray E.						
<Current Address> 123 24 th Street NW Western, NE 12345						
<Former Address> 3728 Maple Street Eastern, NE 54321			<Current Employer and Address> First Rate Supplies, LLC 47 First Street, Western, NE 12345			

SPECIAL MESSAGES						
None at this time.						

PUBLIC RECORDS						
Source	Date	Liab	ECOA	Assets	Paid	Docket#
Z 409581	10/12R	\$18930	Court			Attorney
Chapter 7 Bankruptcy			C	\$4000		012-1930 A. Finch

COLLECTIONS						
Subname	Subcode	ECOA	Opened	Closed	\$Placed	Creditor
Account#			Verified		Balance	Remarks
ABC Collections	Y	I	6/12		\$2780	First Bank
09247501			7/15		\$0	

TRADES						
Subname	Subcode	Opened	High Cred	Terms	PayPat	
Account#		Verified	CredLimit	PastDue		
	Collateral/ Loan Type					
ECOA		Clsd/PD	Balance	Remarks		



Lesson 7: Capacity, Character, Collateral, Capital

MANAGE OR DAMAGE? *(continued)*

Name: _____

Example Credit Report					
ABC Bank 123478901234	N 46871	7/16 5/17	\$3500 K \$4000 K	MIN 200	11111111111 111111121111
I	/Credit Card		\$2580		
Your Bank 16-82093475	B 687111	1/17 8/17	\$220 K \$218,021	360M1141	1111111
C	/Mortgage				
Department Store 676518276152	D 7483111 /Credit Card	4/15 6/17	\$500 \$1500 \$150	MIN25	11113211111 11111111121
I					
First Credit Union	Q 9863522	12/14 7/17	\$20 K \$10203	60M396	11111111111 11111111111
I	/Automobile				

INQUIRIES					
Date	Subcode	Subname	Date	Subcode	Subname
12/16	Q8398233	Best Mortgage Co.			
12/16	B0383726	City Bank			
12/16	B0090923	Eastern Bank			



Lesson 7: Capacity, Character, Collateral, Capital **MANAGE OR DAMAGE?** *(continued)*

Name: _____

Read the scenarios below and decide if each person's actions are managing or damaging credit.

Select the correct answer and explain your reasons.

Eli, 22 years old "I researched three different credit card options before I decided to get one about a year ago. I use it mostly to buy bigger items. Like last week I bought a new microwave for my apartment and put it on my credit card. I get a bill at the end of every month and then I'll go online and pay it in full. I don't want to have to worry about the credit card adding up to more than I have so I just think it's easier to pay it off every month."

**Manage
or
Damage**

Why?

Imani, 18 years old "I bought a new cell phone after getting a job at the movie theater on the weekends. At first, I made all of my payments on time. But I ended up having to quit my job because I was having trouble in school and needed more time to study and get my homework done. I haven't been able to pay my phone bill on time for the last three months. I signed a two-year contract for my phone because the phone company gave me a discount if I did, but now I don't know if I can make it the full two years."

**Manage
or
Damage**

Why?

Ethan, 19 years old "When I started college last year, I couldn't believe how many credit card applications were offered to me. I thought, hey, why not? I'm going to need money for books and food and probably a football game or two, so I went ahead and applied for them all...and got approved! Now, all my cards are maxed out and I can't use them anymore because I've hit my credit limit. I let a few of the payments slip last month because I didn't have the money, but I'm thinking if I can get a new card then I can get more money to pay off my other ones."

**Manage
or
Damage**

Why?



Lesson 7: Capacity, Character, Collateral, Capital **MANAGE OR DAMAGE?** *(continued)*

Name: _____

Think of an instance, action, or behavior that represents being creditworthy, such as successfully paying off a vehicle loan or making monthly payments on time, and illustrate a story about your creditworthy idea in the comic strip below.

Box 1: Use this space to illustrate the beginning of your story, such as who is demonstrating the creditworthy act (your main character) and where the story takes place (at home, at a bank, at a store).

Box 2: Use this box to illustrate the middle of your story, or where all the action takes place.

Box 3: Draw the end, or resolution, of your story here and how your main character displayed creditworthiness.



Lesson 8: The Almighty Dollar?

TOPIC: Credit Cards

OVERVIEW:

Whether or not a cashless society is in the future, it's no surprise that young adults have less cash and more plastic in their pockets. Despite the common practice of paying with plastic or digital money, teens and young adults still harbor misconceptions about issues like **debit** versus **credit**, what it really costs to "charge it," and how to know what you're getting before signing up for a **credit card**. This lesson tackles all of these key issues as young adults work through the process of decoding credit card offers and explore the real difference between debit and credit.

Time: 65 min

Subject Connections:

- English Language Arts
- Math

Supplies:

- Whiteboard or chart paper, markers
- Projector (for teacher presentation slides)
- Access to the Internet (optional)

Preparation:

- Make copies of student handout
- Set up projector with presentation slides

Glossary with key vocabulary 16

OBJECTIVES:

1. Identify and explain how credit cards differ from debit cards
2. Discuss different types of credit cards
3. Summarize credit card key terms and conditions and consumer protection laws
4. Evaluate credit card offers and explain how to manage a credit card
5. Demonstrate how to compute the debt-to-limit ratio

INDIVIDUAL HANDOUTS:

- Credit Versus Debit
- Credit Responsibility
- Comparing Cards
- Credit Trap

GROUP HANDOUTS:

- None

TEACHER PRESENTATION SLIDES:

- Two Truths, One Lie
- Credit Versus Debit
- Credit Card Fine Print

ESSENTIAL QUESTIONS:

- How is a credit card different from a debit card?
- What do I need to know before getting a credit or debit card?
- Should I get a credit card now? What about when I turn 21?

ASSESSMENT ACTIVITIES:

Pre-Assessment:

- **Slide:** Two Truths, One Lie

Post-Assessment:

- **Slide:** Credit Versus Debit slide
- **Handout:** Comparing Cards*
- **Handout:** Credit Responsibility
- **Handout:** Credit Trap*

***Money Smart Portfolio Handouts**

Instruction Steps

WARM UP

Credit Card Facts

5 MINUTES

Two Truths, One Lie

27

Credit cards...

1. Are used to purchase goods and services
2. Take money from your checking account when used to pay for purchases
3. Are subject to interest charges if not paid in full each month

Money Smart for Young People Grades 9 - 12

Begin the lesson by displaying the **Two Truths, One Lie** slide and tell students that two out of the three statements are factual and one is a “lie.” Challenge students to make an educated guess on which statement is false and why.

Explain that statement two is false because credit is the ability to borrow money, not using your checking account to pay for purchases. When you pay for a purchase with a credit card, it means you are taking out a loan to make the purchase. Tell students that ATM/debit cards look like credit cards, but they actually remove the money from your checking account to pay for purchases.

MONEY SMART TIP!

Connect back to Lesson 7, **Capacity, Character, Collateral, Capital**, for more information on different forms of credit. Remind students that people have a right to one free credit report every 12 months, and the way to order from the three major credit bureaus is by visiting www.annualcreditreport.com.

GUIDED EXPLORATION

Credit Versus Debit

25 MINUTES

Credit Versus Debit

28

1. Which card requires you to have enough money at the time you pay for something?
2. Which card's balance can increase and accrue charges if you do not pay the entire amount each month?
3. Which card(s) may have fees associated with them?
4. Which card generally offers purchase protections against faulty goods?
5. Which card allows you to pay for unexpected emergencies when you do not have enough money?

Money Smart for Young People Grades 9 - 12

Distribute and review the **Credit Versus Debit** handout and explain to students that although credit and ATM/debit cards look similar, they use money in very different ways.

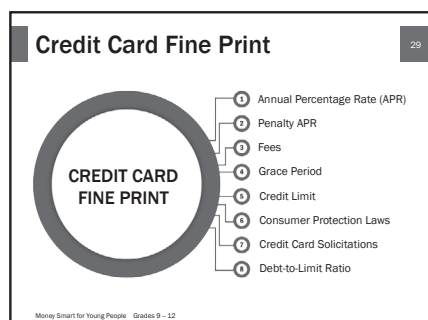
Next, divide the class into small groups. Give each group a small white board or piece of paper and marker. Explain that you are going to ask them a few questions to see if they can identify the difference between credit and debit. Tell groups to write down their answers as fast as possible and that whichever group puts their board up with the correct answers first wins. Display the **Credit Versus Debit** slide and start the challenge. Have the winning team present its answers to the class.

MONEY SMART TIP!

Discuss the concept of digital money and explain to students that some people use mobile wallets to pay for goods and services. Explain that a mobile wallet is a type of mobile app that some people like to use along with one or more debit or credit cards. You enter information from debit or credit cards into the app and use your mobile device to make point-of-sale purchases instead of using a card. Ask students to reflect on why “virtual” money has grown in popularity and whether they can imagine a “cashless” society.

Remind students that saving money and waiting to make a purchase is an alternative to credit and that it is important to think carefully about whether or not to take on credit.

Explain that, if one day you do determine that a credit card is the right choice for you, there are some items to be aware of when selecting a card.



Display the ***Credit Card Fine Print*** slide and use the terms in the glossary to define and discuss each of the concepts.

Grade-Level Modifications:

Beginner: Rather than showing the ***Credit Card Fine Print*** slide, simplify the discussion by asking students to explain what it means to look for the fine print. Give other fine print examples, such as weight loss advertisements that reveal in the fine print that results are not typical, and help students make the connection that there is also fine print on credit card offers that reveal the full truth of what you're signing up for.

Advanced: After reviewing the ***Credit Card Fine Print*** slide, give students an opportunity to practice computing the **debt-to-limit ratio**. (Refer to Lesson 9, *As Easy as Pi* for more information.)

MONEY SMART TIP!

Discuss with your students the 2009 Credit Card Accountability Responsibility and Disclosure Act (CARD Act), and the implications the act holds for young adults under age 21. For more information, visit <https://obamawhitehouse.archives.gov/the-press-office/fact-sheet-reforms-protect-american-credit-card-holders>. Explain that the act makes it more difficult to obtain a credit card until age 21. However, if a young adult is at least 18 years of age and is able to show a source of income or have a cosigner, he or she may be able to obtain a credit card.

Next, distribute the ***Credit Responsibility*** handout and have students work in small groups to analyze and assess the scenarios. Invite groups to share their analysis, and reiterate the differences between responsible and irresponsible use of credit cards.

INDEPENDENT EXPLORATION

Terms and Conditions

25 MINUTES

Note: These activities are more independent than the Guided Exploration activities and may be used as homework assignments, collaborative group work, or independent study.

Distribute the **Comparing Cards** handout and tell students that they are going to complete a comparison-shopping simulation by researching and comparing different credit card choices. Explain that, anytime you are considering a new financial product like a credit card, researching your options thoroughly is the best way to know what you are signing up for before making any decisions.

Allow students time to complete the research, either working individually or with a partner. When students are finished, invite them to share their final conclusions about which card they discovered would be a good choice and why.

Grade-Level Modifications:

Beginner: Rather than students conducting the research, provide them with information from three different credit cards and discuss the similarities and differences of each.

Advanced: Have students prepare a report and presentation for the class explaining the positives and negatives for each of the credit cards they research.

WRAP UP

Credit Trap

10 MINUTES

Distribute the **Credit Trap** handout and allow students time to complete it. Invite students to share with the class and reflect on their “traps.”

Extended Exploration

Note: Use the following ideas to extend financial literacy concepts throughout the school year within core content areas through English Language Arts, Math, Social Studies and Economics, and Technology activities, projects, and discussions. Duration of activities will vary.

ENGLISH LANGUAGE ARTS

Writing Prompts:

What are the consequences of mobile banking replacing cash and credit cards?

Do you support or oppose the changes made in the 2009 CARD Act to restrict credit opportunities for young adults under age 21? Defend your position.

What role do you think the government should have in regulating credit cards?

Suggested Readings:

The CARD Act: What It Means for You by VISA: Learn about the CARD Act and why it matters to consumers, particularly young adults under age 21. www.whatsmyscore.org/facts/cc_act.php

MATHEMATICS

Activity/Project Ideas:

Have students practice computing the debt-to-limit ratio. For example: refer to Lesson 9, *As Easy as Pi*, for information and problems related to financial ratios.

Challenge students to calculate the true cost of a credit card balance by computing interest paid over different periods of time. For example: provide students with the following scenario and model how to solve the problem. If necessary, provide students with an online calculator such as www.greenpath.com/calculators/DebtPayoff2.html.

Sheila has a credit card balance of \$5,000. If she makes the minimum payment of 4% each month, how many months will it take Sheila to pay off the balance if she has a 12% interest rate? (113 months) How much will Sheila have paid in interest? (\$1,600.31)

Next, challenge students by adjusting variables in the scenario, such as the minimum payment amount or interest rate using the following questions. If Sheila's minimum payment is 3% but her interest rate is 18%, how many months will it take her to pay off the \$5,000 balance? (198 months) How much interest has been paid? (\$4,698.44) What if Sheila pays only 2% for a minimum payment with an interest rate of 15 percent? (330 months to pay off balance and \$7,517.52 in interest payments)

SOCIAL STUDIES AND ECONOMICS

Discussion Topics:

Engage students in a discussion about pros and cons of moving to a cashless economy. In what ways will the economy benefit by paying with "plastic" or mobile phones? What problems might this create?

Activity/Project Ideas:

Have students conduct a research project to explore the history of money. For example: encourage students to visit the U.S. Department of Treasury's Bureau of Engraving and Printing website at www.moneyfactory.gov/uscurrency/history.html.

Challenge students to research and create a cash-to-credit timeline showcasing historical milestones for how technology shapes the way we interact with money. For example: students may read *The History of Credit Cards* at CreditCards.com.

www.creditcards.com/credit-card-news/credit-cards-history-1264.php

TECHNOLOGY

Online Resources:

Farm Blitz by Financial Entertainment: An interactive game that allows users to manage farm resources and make decisions when faced with financial emergencies.

Understanding Your Credit Card Offer by The Federal Reserve: A website illustrating a real credit card offer with tips on how to read each section.

Reading Your Statement by The Federal Reserve: A website illustrating a real credit card statement with tips on how to read each section.

Annual Credit Report: A website that allows you to obtain a free credit report once every 12 months.

www.annualcreditreport.com/index.action

Activity/Project Ideas:

Have students research and discuss smartphone technology and how the ability to bank anywhere, anytime is rendering physical wallets obsolete.

Have students discuss credit card terms and conditions with their parents.

Challenge students to consider how payment services, such as Apple Pay, Google Pay, and Venmo, will affect customers.

Classroom activities from the Consumer Financial Protection Bureau (CFPB)

The CFPB has developed a set of classroom activities to help teachers develop and support the building blocks of financial capability in their students. Each activity is designed to be completed within a single class period and includes a teacher guide and supporting student material. Some specific activities that are relevant to this lesson include:

Playing a credit and debit game	Students play a game to practice and explore positive credit and debit card behaviors. www.consumerfinance.gov/practitioner-resources/youth-financial-education/teach/activities/playing-credit-debit-game/
Creating a PSA about credit cards	Students conduct Internet research to create a 30- or 60-second TV public service announcement (PSA) to raise awareness of and motivate people to adopt safe and responsible credit card practices. www.consumerfinance.gov/practitioner-resources/youth-financial-education/teach/activities/creating-psa-about-credit-cards/
Calculating loan payments	Using a case study, students experience how time, the amount borrowed, and interest rates affect the payments made on a loan. www.consumerfinance.gov/practitioner-resources/youth-financial-education/teach/activities/calculating-loan-payments/
Defining debt consolidation	Students work collaboratively to match questions with their answers to better understand key concepts and important rules to live by related to debt consolidation and borrowing. www.consumerfinance.gov/practitioner-resources/youth-financial-education/teach/activities/defining-debt-consolidation/
Shopping in Credit City	Students complete a shopping game to see how much money they would spend on four major purchases that require borrowing money. www.consumerfinance.gov/practitioner-resources/youth-financial-education/teach/activities/shopping-credit-city/

Answer Key

Student Handout 1:

Credit Responsibility

Situation 1: What do you think about Jason's use of a credit card?

Irresponsible because Jason is using credit to pay for credit.

Situation 2: What do you think about Collin's use of a credit card?

Irresponsible because Collin is paying more interest by keeping an ongoing balance.

Situation 3: What do you think about Lynda's use of a credit card?

Responsible because Lynda pays her balance off each month.

Situation 4: What do you think about Becca's use of a credit card?

Irresponsible because Becca did not read the fine print before opening her credit card.

Student Handout 2:

Comparing Cards.

Answers will vary. Use handout to assess student ability to conduct research and evaluate and compare data.

Student Handout 3:

Credit Trap.

Answers will vary. Students may recommend to read the fine print, understand fees and penalties, know your interest rates and credit limits, understand how credit cards affect your borrowing abilities and credit score, the Four Cs, and knowing how much credit you can personally manage.



Lesson 8: The Almighty Dollar?

CREDIT VERSUS DEBIT

Name: _____

Although they look similar, credit and ATM/debit cards allow you to use money differently. Review the chart to see the differences.

	ATM/Debit Cards	Credit Cards
Payments	▪ Buy now, pay now.	▪ Buy now, pay later.
Interest Charges	▪ No charges apply as funds are automatically debited from your checking account.	▪ Charges will apply if you carry a balance or if your card offers no grace period and you incur interest charges.
Fees	▪ Fees on certain transactions (for example: an ATM fee charged for withdrawing funds from an ATM not operated by the bank that issued your debit card). ▪ Potentially costly fees if you try to spend more money than is available in your account.	▪ Fees and penalties can be imposed if payments are not timely. ▪ Some cards have annual fees. ▪ Not all cards offer grace periods (time to repay without incurring interest charges).
Other Potential Benefits	▪ Easier and faster than writing a check. ▪ No risk of losing cash that you cannot replace. ▪ Some cards may offer freebies or rebates. ▪ As long as you do not overdraw your account, debit cards are a good way to pay for purchases without borrowing money and paying interest.	▪ Freebies sometimes offered (for example: cash rebates, bonus points, or travel deals). ▪ You can withhold payment on charges in dispute. ▪ If you manage your credit card carefully, your credit score may go up and you may qualify for lower interest rates on loans.
Other Potential Concerns	▪ Usually there are no protections against faulty goods and services. ▪ You need another way to pay for unexpected emergencies (for example: vehicle repairs) if you do not have enough money in your bank accounts.	▪ Overspending can occur, since the credit limit may be higher than you can afford. ▪ If you do not pay your card balance in full each month, or your card does not have an interest-free grace period, you will pay interest. This can be costly, especially if you only pay at or near the minimum amount due each month.

CREDIT CARD RESPONSIBILITY TIPS

- Keep track of what you are charging. It can be easy to spend more than you realize.
- Read your monthly statements carefully and make sure all of the charges are accurate.
- Pay off your full balance every month.
- Always pay your balance on time to avoid late fees and build a positive credit history.



Lesson 8: The Almighty Dollar?

CREDIT RESPONSIBILITY

Name: _____

Sometimes people who use credit cards do not follow the tips and guidelines for responsible credit card use. Read each scenario and determine whether the credit card user is **responsible** or **irresponsible** with his or her credit card use. Briefly explain your answer.

SITUATION 1

Jason receives a credit card bill. He gets a cash advance on another credit card to pay part of the bill. What do you think about Jason's use of a credit card?

SITUATION 2

The balance on Collin's credit card is \$3,000, which is his credit limit. He makes only the minimum monthly payment of \$50 and is always close to the limit on his credit card.

What do you think about Collin's use of a credit card?

SITUATION 3

Lynda uses her credit card for convenience and only for larger purchases of more than \$100. She pays cash for most small purchases under \$100. She pays her credit card bill in full each month.

What do you think about Lynda's use of a credit card?

SITUATION 4

Becca was excited to get a credit card offer in the mail. She applied for the credit card without reading the terms. When the card came, she bought several items. When the bill came, she was surprised to find additional fees charged to her account and that the APR was 21%.

What do you think about Becca's use of a credit card?



Lesson 8: The Almighty Dollar?

COMPARING CARDS

Name: _____

Using an Internet search engine, research three different credit card offers and complete the chart with your findings.

	Credit Card 1	Credit Card 2	Credit Card 3
Name of credit card issuer/card			
What is the APR? ▪ Introductory APR? ▪ Rate for purchases? ▪ Rate for cash advances? ▪ Penalty APR?			
What are the fees? ▪ Annual fee? ▪ Late fee? ▪ Over-the-limit fee? ▪ Cash advance fee? ▪ Other fees?			
Are there any benefits? (For example: reward points earned, rebates)			
Other? (For example: customer service hours, online access, access to a real person)			

If you were going to get a credit card, which of the three cards from your research would you select, and why?



Lesson 8: The Almighty Dollar?

CREDIT TRAP

Name: _____

Taking on a credit card can be full of challenges, from managing your balance to understanding APRs. Use what you have learned in this lesson to write five tips for how to avoid credit traps and irresponsible credit card use.

Tip 1

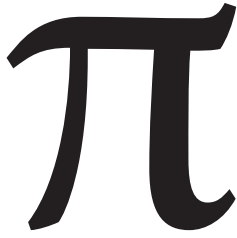


Tip 2

Tip 3

Tip 4

Tip 5



Lesson 9: Easy as Pi

TOPIC: Financial Ratios

OVERVIEW:

For many teens and young adults, the thought of **financial ratios** may seem complex and overwhelming. This lesson uses humor and the concept of pi to shatter such misconceptions by engaging content directly related to students' lives. Teens will see how financial ratios apply to everyday situations and discover that understanding **debt-to-income**, **debt-to-asset**, and **debt-to-limit** will strengthen their abilities to make wise financial decisions.

Time: 50 min

Subject Connections:

- English Language Arts
- Math
- Social Studies

Supplies:

- Projector (for teacher presentation slides)
- Access to the Internet (optional)

Preparation:

- Make copies of student handout
- Set up projector with presentation slides

Glossary with key vocabulary 16

OBJECTIVES:

1. Identify common financial ratios
2. Demonstrate and explain how to calculate financial ratios
3. Discuss how financial ratios impact financial decision making and creditworthiness

INDIVIDUAL HANDOUTS:

- Financial Ratios
- Ratios Race

GROUP HANDOUTS:

- none

TEACHER PRESENTATION SLIDES:

- Easy as Pi
- Financial Ratios

ESSENTIAL QUESTIONS:

- What are financial ratios?
- How do financial ratios affect my money?

ASSESSMENT ACTIVITIES:

Pre-Assessment:

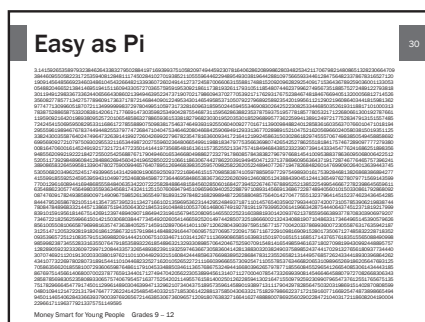
- **Handout:** Easy as Pi

Post-Assessment:

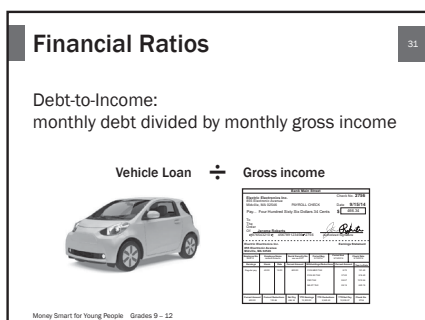
- **Handout:** Financial Ratios
- **Activity:** Ratios Race*

*Money Smart Portfolio Handouts

5 MINUTES



20 MINUTES



5 MINUTES

Open the lesson by displaying the ***Easy as Pi*** slide, which contains the digits of pi, or display one million digits of pi from **www.piday.org/million**.

Using humor, tell students that today they will memorize the exact ratio of a circle's circumference to its diameter, or pi. When students realize that this task seems arduous and impossible, make the connection that, even if a math challenge seems overwhelming at first, if we break the challenge into manageable pieces it becomes more workable.

Tell students that they will now explore and practice financial ratios, and that, if at first the ratios seem complex, learning a few basic computing strategies can be much easier than memorizing “pi”!

Explain that lenders take a risk in lending money because there is always the chance that a borrower will be unable to repay the loan. To minimize risk and ensure a borrower is equipped to repay debt, lenders analyze and consider many different components before deciding to lend money to a borrower, including financial ratios.

MONEY SMART TIP!

Connect back to Lesson 7, ***Capacity, Character, Collateral, Capital***, and Lesson 8, ***The Almighty Dollar?***, for more information on credit risks and lenders.

Display the **Financial Ratios** slides and explain how each of the ratios work, using examples of your own or those provided below.

- **Debt-to-Income** measures your monthly debt payments against your monthly gross income. To calculate, you divide your monthly debt by your monthly gross income. For example: if you pay \$200 each month for a vehicle loan and \$1,000 each month for a home loan, your total debt payment each month is \$1,200 (\$200 + \$1,000). If your monthly gross income is \$4,000, then your debt-to-income ratio is 30 percent (\$1,200 ÷ \$4,000). A high debt-to-income ratio signals to lenders that a borrower may struggle to meet monthly repayments.

MONEY SMART TIP!

Connect back to Lesson 6, *Bread-and-Butter*, and remind students that gross income is your total income before deductions and that net is your total income after deductions.

Financial Ratios

Debt-to-Assets: liabilities divided by assets
Liabilities are money owed, or debt obligations
Assets are items of value that can be converted into cash

Liability

÷

Asset



Money Smart for Young People Grades 9–12

▪ **Debt-to-Assets** measures the amount of money owed (**liabilities** like a vehicle loan or student loan) to items that are of value (**assets** like property owned, savings accounts, retirement savings). To calculate, you divide your total liabilities by your total assets. For example: if you own a home that is worth \$200,000 (asset), but you have a mortgage of \$50,000 left on the home (liability), your debt-to-asset ratio is 25 percent ($\$50,000 \div \$200,000 = 0.25$ or 25%). The higher the percentage, the greater the level of risk.

Financial Ratios

Debt-to-Limits:
credit debt divided by credit limit

÷



Money Smart for Young People Grades 9–12

▪ **Debt-to-Limit** measures the amount of credit debt to your credit limit. To calculate, divide your total credit card balance by the credit limit available to you. For example: if you currently have a balance of \$500 on a credit card with a credit limit of \$3,000, your debt-to-limit ratio is 16 percent ($\$500 \div \$3,000 = 0.16$ or 16%). Your debt-to-limit ratio, also called **credit utilization**, is used to calculate your credit score. The debt-to-limit should be at least 30 percent of the credit card limit, and not exceed 50 percent of the limit.

Grade-Level Modifications:

Beginner: Have students first focus only on debt-to-income ratios. When students have mastered calculating that, then introduce debt-to-assets and debt-to-limit.

Advanced: Scale student learning by introducing additional financial ratios and expanding the discussion to include ratios applicable to businesses, such as return-on-assets, debt-to-equity, and inventory turnover ratios.

MONEY SMART TIP!

Connect back to Lesson 7, *Capacity, Character, Collateral, Capital*, and Lesson 8, *The Almighty Dollar?*, for more information on credit reports and credit scores.

Next, distribute the *Financial Ratios* handout and work through the sample problems together as a class. Ask students to share their ideas on why financial ratios are important to understand. Help students understand that financial ratios are a representation of financial behavior and can determine items like credit score and the ability to borrow money.

INDEPENDENT EXPLORATION

Ratios in Action

20 MINUTES

Note: These activities are more independent than the Guided Exploration activities and may be used as homework assignments, collaborative group work, or independent study.

Distribute the **Ratios Race** handout and divide the class into small groups.

Explain that the activity is a race to see which group can come up with the correct financial ratios first to solve each of the problems. Give students time to get settled into their groups and then signal the start of the competition.

When the first group to answer all of the financial ratios is done, have that group explain to the class its answers, and discuss each of the scenarios. If there are dissenters, encourage groups to debate the scenarios and share with the class the correct answers from the answer key.

WRAP UP

Why Ratios?

5 MINUTES

Close the lesson by having students reflect on how financial ratios are connected to our financial behaviors. Ask students: *Why are financial ratios important for us to understand? How do they influence your ability to borrow?*

Extended Exploration

Note: Use the following ideas to extend financial literacy concepts throughout the school year within core content areas through English Language Arts, Math, Social Studies and Economics, and Technology activities, projects, and discussions. Duration of activities will vary.

ENGLISH LANGUAGE ARTS

Writing Prompts:

What is an ideal balance of debt to income? Explain your position and disprove opposing viewpoints.

How does one use credit wisely? Describe three ways to responsibly manage credit, such as not using all available credit, not carrying a balance on a credit card, and paying all bills in full and on time.

Suggested Readings:

What Is Debt-to-Income Ratio? Explore reasons why understanding your debt-to-income ratio is important to overall financial health.
www.consumerfinance.gov/askcfpb/1791/what-debt-income-ratio-why-43-debt-income-ratio-important.html

Analyze Your Debt-to-Limit Ratio: Read about how to analyze your debt-to-limit ratio and why it is important to understand.
<http://finance.yahoo.com/news/analyze-debt-credit-limit-ratio-171100241.html>

MATHEMATICS

Activity/Project Ideas:

Have students practice applying financial ratios based on both consumer and business examples. For instance, have students calculate several businesses' debt-to-assets ratios and compare and contrast results. For example: if a company has \$10 million in assets and \$2 million in debt, what is the debt-to-asset ratio? What if the reverse were true, and a company had \$2 million in assets and \$10 million in debt?

SOCIAL STUDIES AND ECONOMICS

Discussion Topics:

Ask students to reflect and discuss how financial ratios apply to businesses, large and small. Have students compare the value of financial ratios from consumer use to business applications. For example: ratios provide a snapshot of financial behaviors for both consumers and businesses and this snapshot can be vital in showing investors how a business manages finances, credit, and potential growth.

Discuss the role government plays in regulating credit cards and how this affects consumers' debt-to-limit ratios.

Activity/Project Ideas:

Have students research several different public companies and assess their financials such as debt and equity. Challenge students to apply the financial ratios and discuss how businesses use financial ratios to determine borrowing and spending capabilities.

TECHNOLOGY

Online Resources:

Debt-to-Assets Ratio Calculator: An online calculator that calculates debt-to-assets ratios.

www.calculatorpro.com/calculator/debt-to-assets-ratio-calculator

Debt-to-Income Calculator: An online calculator that calculates debt-to-income ratio.

www.zillow.com/mortgage-calculator/debt-to-income-calculator

Answer Key

Student Handout 1:

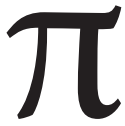
Financial Ratios

1. What is Ishaan's total debt? \$1,330
What is his gross income? **\$2,500**
What is his debt-to-income ratio? **53%**
2. How much are Stephanie's total liabilities? \$5,500
How much are her assets? **\$9,500**
What is her debt-to-assets ratio? **57%**
3. What is Avni's credit limit? \$5,000
What is her debt? **\$2,000**
What is her debt-to-limits ratio? **40%**

Student Handout 2:

Ratios Race

1. James, 18 years old
What ratio should James use? **Debt-to-assets ratio**
What is James's ratio percentage: **33%**
2. Elizabeth, 28 years old
What ratio should Elizabeth use? **Debt-to-income ratio**
What is Elizabeth's ratio percentage: **42%**
3. Michael, 23 years old
What ratio should Michael use? **Debt-to-limits ratio**
What is Michael's ratio percentage: **10%**



Lesson 9: Easy as Pi FINANCIAL RATIOS

Name: _____

Read each scenario and apply the appropriate financial ratio.

1. Debt-to-Income: monthly debt divided by monthly gross income

Ishaan has a monthly mortgage payment of \$800, one credit card at \$200 a month, a second credit card at \$80 a month, and a vehicle loan for \$250 a month. His income is \$2,500 each month before taxes.

What is Ishaan's total debt?

What is his income?

What is his Debt-to-Income ratio?

2. Debt-to-Assets: liabilities divided by assets

Stephanie recently took out a loan for \$5,500 to help pay for a new-used vehicle. The vehicle is worth \$9,500.

How much are Stephanie's total liabilities?

How much are her assets?

What is her Debt-to-Assets ratio?

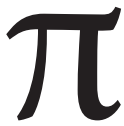
3. Debt-to-Limits: credit debt divided by credit limit

Avni has a credit card with a \$5,000 credit limit. She currently has a balance of \$2,000 on the card.

What is Avni's credit limit?

What is her debt?

What is her Debt-to-Limits ratio?



Lesson 9: Easy as Pi RATIOS RACE

Name: _____

Working with your small group, be the first team to correctly solve the financial ratio problems below. Remember — the financial ratios to choose from are debt-to-income, debt-to-assets, and debt-to-limits. Ready, set, race!

1. James, 18 years old:

"I bought my first truck last year and it's great. It's so much easier to get to school and work now. I did have to borrow money, though, because I only had \$3,000 saved up and the truck cost \$5,000. I just checked online to see how much my truck is worth today, and it's dropped a little in value. If I sold it right now, it's worth \$4,500. I still have \$1,500 left on my loan, though. I'm wondering how I can measure my loan to the value of my truck. What do you think...which ratio should I calculate?"

What ratio should James use?

What is James's ratio percentage?

2. Elizabeth, 28 years old

"I haven't been very good about managing my debt, and I'm trying to figure out how my debt relates to my income. I have four different credit cards right now but I really want to pay them all off soon. For now, though, I'm making monthly payments of \$50 on one, \$200 on another, \$25 on a third, and \$175 on the fourth. I also own a home, and my mortgage is another \$900 a month. I earn \$3,200 each month before taxes. Can you help me figure out what financial ratio to use?"

What ratio should Elizabeth use?

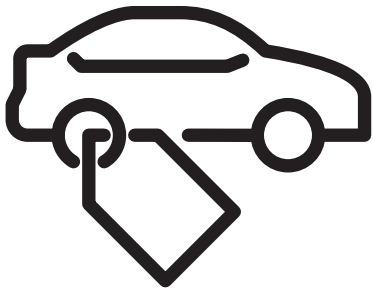
What is Elizabeth's ratio percentage?

3. Michael, 23 years old

"I want to purchase a home someday, so I'm making sure my credit score is in good shape. I have a credit card that I can spend up to \$1,000 on but I only have a balance of \$100. What financial ratio would help me? Do the math...what's my percentage?"

What ratio should Michael use?

What is Michael's ratio percentage?



Lesson 10: Convertible or Clunker

TOPIC: Automobile Purchase

OVERVIEW:

Buying a vehicle is one of the first and most significantly large purchases young people make. Students will use their compounding knowledge to make sensible purchasing decisions in assessing how much car they can afford, issues of maintenance and **insurance**, and evaluating whether financing options such as **loans** and **leases** are appropriate to their situations.

OBJECTIVES:

1. Research and identify secured and unsecured installment loans
2. Calculate how much car to afford
3. Evaluate long-term costs associated with buying a vehicle, including insurance and maintenance
4. Explain the difference between leasing and purchasing

INDIVIDUAL HANDOUTS:

- Cash, Loans, and Leases
- It's Time to Finance!
- It's Time to Lease!
- Vehicle Comparison

GROUP HANDOUTS:

- none

TEACHER PRESENTATION SLIDES:

- Reality Check (2)
- True Cost of Vehicles
- Secure or Unsecured?

ESSENTIAL QUESTIONS:

- What transportation needs do I have?
- What are my transportation options?
- How do I know whether I can afford a car?
- How long do I want to have vehicle payments?

ASSESSMENT ACTIVITIES:

Pre-Assessment:

- **Activity:** Reality Check

Post-Assessment:

- **Handout:** Cash, Loans, and Leases
- **Activity:** It's Time to Finance!
- **Activity:** It's Time to Lease!
- **Handout:** Vehicle Comparison*
- **Activity:** Wants Versus Needs

*Money Smart Portfolio Handouts

Time: 70 min

Subject Connections:

- English Language Arts
- Math

Supplies:

- Projector (for teacher presentation slides)
- Access to the Internet (optional)

Preparation:

- Make copies of student handout
- Set up projector with presentation slides

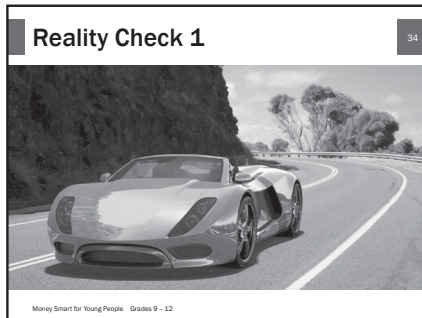
Glossary with key vocabulary 16

Instruction Steps

WARM UP

Reality Check

10 MINUTES



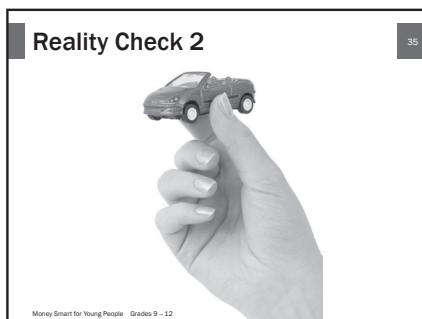
Open the lesson by engaging students in the concept of decisions we must weigh when making a purchase, whether it is a large purchase like buying a vehicle or an everyday purchase like buying groceries.

Display the first **Reality Check** slide and tell students a fictional story about how you dreamed of buying the expensive, fancy car shown on the slide your whole life. Embellish the “want” and “desire” for the luxury vehicle, and convey the longing and pining for such a beautiful ride, including all of the superior features, speed capabilities, and image appeal.

Next, tell students that, after all the years of dreaming and hoping, you were finally able to buy the car!

MONEY SMART TIP!

The Reality Check activity can be replaced with any number of items if you prefer to tell a personal narrative rather than a fictional story. For example: you could apply the same warm up by using a designer purse or pair of shoes, a new computer, or a long vacation as the “luxury” item instead of a car.



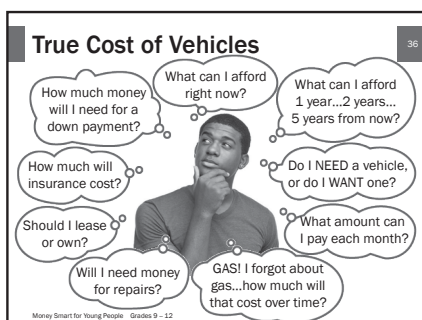
After giving students a few seconds to respond in surprise and pleasure that you accomplished such a dream, show students the second **Reality Check** slide (a toy car similar to the “dream” car), and say, “See, here it is! I bought it!” Students will likely respond with laughter when they realize the “reality check.”

Use this moment as a springboard to explain that, even though you really wanted the “fancy” car, your financial reality told a different story, and that the toy car option was what your budget could afford.

GUIDED EXPLORATION

Vehicle Loans

20 MINUTES

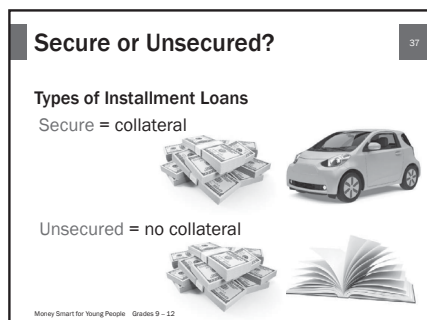


Ask students what steps they would take if they were interested in buying a vehicle. What questions would they need answered before making a decision?

Display the **True Cost of Vehicles** slide and review the questions together as a class. Use the questions to help students see the full landscape of the decision-making process that goes into making such a large purchase and explain that, by thinking through all of the questions, you become an informed buyer, which means you are able to make more financially savvy decisions.

Next, **ask students** how someone might pay for a vehicle. Explain that one option is an installment loan, where you borrow a set amount of money and repay it in fixed monthly payments, or installments, for a specific period of time.

Remind students that installment loans are different from open-end credit like credit cards.



Display the ***Secure or Unsecured?*** slide and explain to students the differences between the two types of loans.

- A **secured loan** is one in which you offer collateral for the loan. You must give up the collateral to the lender if the loan is not paid back as agreed. The interest rates for secured loans are comparatively lower than unsecured loans.
 - A vehicle loan is an example of a loan secured by collateral—the vehicle being purchased.
- An **unsecured loan** is a loan that is not secured by collateral.
 - An example of an unsecured installment loan is a student loan or most credit cards.

Grade-Level Modifications:

Beginner: Spend time connecting back to Lesson 7, *Capacity, Character, Collateral, Capital*, and review with students the concept of collateral. Remind students that giving the lender collateral means that you pledge an asset (for example: your vehicle) to the lender with the agreement that the lender can take it to help repay the loan if you do not make payments as agreed.

Advanced: Expand the discussion on installment loans to include:

Annual percentage rates (APR): The cost of borrowing money (expressed as a percentage rate) on a yearly basis. When shopping for the best loan rates, compare the APRs rather than the interest rates, because APRs reflect both the interest you are charged and any fees. This is the single most important tool to use when comparing loan offers and advertisements.

Fixed-rate loans: A loan that has an interest rate that stays the same throughout the term of the loan. Most installment loans have fixed rates.

Variable-rate loans: A loan that has an interest rate that might change during any period of the loan, as written in the loan agreement or contract.

Finance charges: The dollar amount the loan will cost, including: interest, service charges, and loan fees.

INDEPENDENT EXPLORATION

It's Time to Buy!

35 MINUTES

Explain that, whereas some people choose to purchase a vehicle through a secured installment loan, there are other options for financing, including saving up enough cash to purchase the vehicle in full, or leasing a vehicle.

Distribute the **Cash, Loans, and Leases** handout and review the advantages and disadvantages for each option. **Ask students** to reflect on why it is important to understand all of your options.

Ask students: *If you were going to purchase a vehicle, which option do you think you would use, and why?*

Note: These activities are more independent than the Guided Exploration activities and may be used as homework assignments, collaborative group work, or independent study.

Distribute the **It's Time to Finance!** and the **It's Time to Lease!** handouts. You will need volunteers to play a narrator, a car salesman, a young adult, and a parent in each of the skits. Ask for volunteers to act out each of the skits.

Grade-Level Modifications:

Beginner: Have students read the scripts individually and then regroup for a class discussion about the two different scenarios.

Advanced: Challenge students to come up with their own vehicle buying and leasing skits and present them to the class by having students work in small groups to write and perform an example of a buying experience for financing and leasing a vehicle.

When students are finished performing the skits, briefly discuss each scenario.

Ask students:

- *When you are purchasing a vehicle, what questions should you think about ahead of time?*
- *What factors should be considered when leasing?* Remind students that it is important to think about loan terms, interest rates, monthly payments, and costs associated with owning a vehicle, as well as how long a lease term is for, mileage limitations, and purchase price when a lease expires. Additionally, if students are unfamiliar with the concept of cosigning, explain that it is when someone other than the borrower (like a parent or relative) agrees to be responsible for loan payments if the borrower fails to make them.

Next, tell students that they will get an opportunity to put their vehicle-buying skills to the test by researching and assessing different vehicle choices. Distribute the **Vehicle Comparison handout** and allow students time to complete the activity.

Invite volunteers to share their research with the class and discuss the different research components that go into the vehicle-buying process.

WRAP UP

Needs Versus Wants

5 MINUTES

Ask students to reflect in a written response or brief discussion what their transportation needs are and whether buying a vehicle now or in the future is the right choice for them.

Engage students in reflecting on what goes into the decision making process when it comes to buying a large item like a vehicle.

Extended Exploration

Note: Use the following ideas to extend financial literacy concepts throughout the school year within core content areas through English Language Arts, Math, Social Studies and Economics, and Technology activities, projects, and discussions. Duration of activities will vary.

ENGLISH LANGUAGE ARTS

Writing Prompts:

Is it wiser to buy a new, used, or leased vehicle? Why do you think this is the best approach? Argue your position.

Write a brief paragraph about the vehicle-buying experience from each of the following different perspectives: the salesman, the buyer, and the vehicle!

Suggested Readings:

Confessions of a Car Salesman by Popular Mechanics: An insider's look at how car salesmen operate, providing useful tips for car buyers.

www.popularmechanics.com/cars/news/industry/confessions-of-a-car-salesman-5681350

MATHEMATICS

Activity/Project Ideas:

Have students calculate the cost of a loan by comparing a vehicle's price if they paid cash in full at the time of purchase versus getting a loan with interest spread out over time. Give students multiple loan terms to compare, such as 36, 60, or 72 months, and different APRs to factor in.

Have students research the purpose of an amortization schedule for a vehicle loan and related online resources such as amortization calculators. For a more advanced activity, challenge students to create their own amortization schedule for a vehicle loan. For example: students may create an amortization schedule by using online calculators (<http://MyAmortizationChart.com>) or spreadsheet software templates at <https://templates.office.com/en-us/Loan-amortization-schedule-TM03986974>.

SOCIAL STUDIES AND ECONOMICS

Discussion Topics:

Engage students in a discussion about the changes in supply and market price for new vehicles under different circumstances, such as the cost of labor increasing or the number of vehicle manufacturers decreasing.

Explore with students how advancements in manufacturing technologies, such as hybrid, robotics, and driverless vehicles, have impacted and will continue to affect the marketplace.

TECHNOLOGY

Online Resources:

Buying and Owning a Car by the Federal Trade Commission: A comprehensive car- buying source that includes information on buying, leasing, negotiating prices, how to maximize gas efficiency, and more. www.consumer.ftc.gov/topics/buying-owning-car

Auto Loan Calculator: An online calculator that calculates monthly payments for auto loans.
www.cars.com/go/advice/financing/calc/loanCalc.jsp?mode=full

Activity/Project Ideas:

Challenge students to create an amortization schedule for a vehicle loan using a spreadsheet software (<https://templates.office.com/en-us/Loan-amortization-schedule-TM03986974>.) or online calculator at <http://MyAmortizationChart.com>.

Have students research multiple informational vehicle websites and assess the credibility of the information they discover. Discuss how to navigate websites to know whether or not a site is delivering quality and informative information versus simply aiming to sell you something.

Answer Key

Student Handout 1:

Cash, Loans, and Leases

In class activity.

Student Handout 2:

It's Time to Finance!

In class activity.

Student Handout 3:

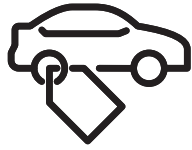
It's Time to Lease!

In class activity.

Student Handout 4:

Vehicle Comparison.

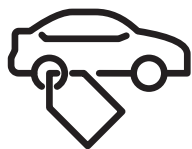
Answers will vary. Use handout to assess student ability to conduct research and evaluate and compare data.



Lesson 10: Convertible or Clunker?

CASH, LOANS, AND LEASES

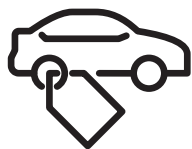
Factors	Vehicle Loans	Vehicle Leases	Paying All Cash
Ownership potential	The vehicle belongs to you and the bank that gave you the loan until you have paid off the loan. Then, the vehicle becomes yours.	You are essentially renting the vehicle from the dealership. The lease is like a rental agreement. You make monthly payments to the dealership for a set number of months. The vehicle does not belong to you. When the lease ends, you have to return the vehicle to the dealership. You may decide to purchase the vehicle at the end of the lease. The total cost, however, generally ends up being more than it would have been if you had bought the vehicle.	The vehicle belongs to you because you paid for it in full at the time of purchase.
Cost	Purchasing a vehicle is usually more cost effective if you plan to keep the vehicle long-term. In the short term, however, the costs will generally be greater than a vehicle lease, because your total loan amount and monthly payments are likely to be higher.	A lease will probably cost less than a vehicle loan in the short term, because your total lease amount and monthly payments are likely to be lower. On the other hand, if you exceed the mileage on a leased vehicle or decide to buy it outright once your lease has expired, it will end up costing you more.	Paying in cash can be cost effective because you won't need to acquire any debt to own the car. But, saving up enough money to buy a vehicle outright requires planning ahead and saving diligently.
Monthly payments	Payments are higher, but you only pay them for a set term. Then, you own the vehicle.	Payments are lower because you are not purchasing the vehicle; the dealership still owns it. As long as you lease a vehicle, you will continue to make monthly payments.	No monthly payments, but you would have had to save up a large sum of money ahead of time in order to purchase the vehicle in full. This requires setting and sticking to savings goals.



Lesson 10: Convertible or Clunker?

CASH, LOANS, AND LEASES *(continued)*

Factors	Vehicle Loans	Vehicle Leases	Paying All Cash
Auto insurance	It is usually less expensive than auto insurance for leased cars. Insurance may cost more during the loan than it will after the loan is repaid because the lender may require more coverage.	It usually costs more if you lease a car than it does if you buy. Most vehicle leases require you to carry higher levels of coverage than purchase agreements do. Some insurance carriers may also consider leasing to be higher risk than purchasing.	Insurance may cost less than if you carried a loan because a lender may require more coverage.
Mileage limitations	There are no mileage restrictions.	Leases restrict the number of miles you can drive the vehicle each year. If you exceed the mileage allowed, you have to pay the dealer for each mile over the limit according to your lease. For example: a dealer may charge you \$.15 for every mile that you drive over 24,000 miles in two years. If you drive the vehicle an additional 3,000 miles, you would owe the dealer \$450 for those miles.	There are no mileage restrictions.
Wear and tear	No additional costs for wear and tear are included in your loan agreement.	Most leases charge you extra money for any damage found at the end of the lease that goes beyond normal wear and tear.	No additional costs for wear and tear are included in your purchase price.



Lesson 10: Convertible or Clunker?

IT'S TIME TO FINANCE!

Narrator: *Jasmine and Rick are walking around Al's Super Used Cars lot and Al approaches them as they are looking at a blue sports car.*

Al: Hello there, folks! How can I help you this beautiful afternoon?

Rick: Well, my daughter is looking to buy her first car.

Al: *(looking at Jasmine)* Well, alright. What type of car are you looking for?

Jasmine: I'd like a car with satellite radio, a navigation system, air conditioning, sun roof....

Rick: *(cutting off Jasmine)* She wants the best deal you have on the lot...she's paying for this car herself!

Jasmine: Yeah, I know I have to pay for it myself, Dad! I really like this blue one! How much is it?

Al: The sticker here says \$10,000...*(Jasmine sighs and frowns.)*...but I think I could drop that down to \$9,250.

Jasmine: Well, how much would that be per month?

Al: That depends on the financing. It could be \$200 a month for five years with no down payment. Do you have money for a down payment?

Jasmine: Uh, no. I did not realize I would need money for a down payment.

Al: Do you have a job?

Jasmine: Yes, I usually make about \$200 a month from babysitting. I do not really have any other expenses, but I do not want to spend everything I make on a car!

Al: I have this nice red car over here. *(Al, Jasmine, and Rick walk toward another car.)* You can finance this one for \$125 a month, and then it is yours to own after six years.

Jasmine: I can afford that!!

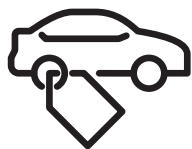
Rick: Remember, you'll need to pay for insurance, maintenance, gas, and everything else that comes along with owning a car...

Jasmine: I really want this one, Dad, and I can afford it!

Al: Step into my office and we can discuss paperwork for the car. *(Al, Jasmine, and Rick walk into Al's office and all sit down.)* OK, now will you be cosigning this loan for your daughter?

Characters

- Al, the car salesman
- Jasmine
- Rick, Jasmine's father
- Narrator



Lesson 10: Convertible or Clunker?

IT'S TIME TO FINANCE! *(continued)*

Rick: Yes, she's only 17, so I will be cosigning. *(Turning to his daughter.)* Now, you know I expect you to pay the bill on time every month, right? I expect you to be responsible.

Jasmine: Yes, Dad, I know. I'll make sure I have the money to pay for everything.

Narrator: *Jasmine ends up financing the car for \$125 per month for six years. She does not realize that one reason the payment was lower per month was that the term of the loan was extended — meaning she will pay the loan back over a longer time period. This means that she will pay more in interest than if the term of the loan were shorter. After driving the car for two years, Jasmine went to start the car to go to work one morning and it made a funny noise and would not start. It ended up costing \$2,000 in repairs! Jasmine was disappointed to find out that the \$500 in insurance she paid every year did not cover the repair. Was financing this car the right idea for Jasmine? What should she have looked out for when shopping for a car?*



Lesson 10: Convertible or Clunker?

IT'S TIME TO LEASE!

Narrator: *Todd and Sharon are walking around Al's Super Used Cars lot and Al approaches them as they are looking at a green truck.*

Al: Hello there, folks! How can I help you this beautiful afternoon?

Todd: I want a truck!!

Sharon: *(giving her son a stern look)* Yes, my son is looking for a truck he can purchase.

Todd: No, Mom, I want to lease a truck. I am going to college in two years and I will not be able to take my truck on campus. I am just looking for a truck for work and to drive to school and stuff until I graduate.

Al: Sounds like you know what you want!

Todd: Yes, sir. It will cost me less in the end and I do not want the long-term loan right now. I only plan on driving around town and I will return the truck when the lease expires. So how much does this cool truck cost? *(Points to a nearby truck he has been looking at.)*

Al: I can lease that to you for \$200 a month. Is that in your price range?

Todd: Wow, that's a lot more than I thought! I do not have a job right now, so coming up with \$200 a month may be difficult. What if I promise that I will get a job, Mom?

Sharon: You cannot just promise to get a job, Todd! I thought you said you had saved some money from working at the restaurant this summer?

Todd: Yeah, I have money for a down payment and the first few payments, but I will need to find a job so I can continue to make the monthly payments.

Al: Maybe you need to come back when you have a job and you know that you can afford this nice truck?

Todd: No! I want it now. I told my friends that I could drive them to a concert next weekend. I know I can find a job in the next few weeks, and I have the money for the down payment and the first month. *(Turns to Sharon.)* Mom, can I please get this truck??

Sharon: It is your decision, but don't forget that your father and I do not want to cover the payments if you cannot make them.

Todd: I know, I know! OK, I want to get it!!

Characters

- Al, the car salesman
- Todd
- Sharon, Todd's mother
- Narrator

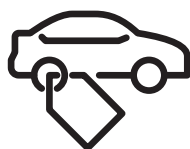


Lesson 10: Convertible or Clunker?

IT'S TIME TO LEASE! *(continued)*

AI: Alright, just step into my office and we will see what we can do!

Narrator: *Sharon leases the truck on Todd's behalf. Sharon and Todd agree that Todd is responsible for the payment and all expenses. Todd finds a part-time job; however, he did not realize that gas would be so expensive, because he is the one always driving his friends around. Every month he struggles to make the payment. He has to give up buying items like music and clothing just so he can make the lease payment. After two years, Todd turns the leased truck back in to the dealership and realizes that he has paid \$4,800 for the truck, and now he has nothing to show for it! Was this the right choice for Todd? What could he have done differently?*



Lesson 10: Convertible or Clunker?

CASH, LOANS, AND LEASES

Name: _____

There are many different elements to consider when contemplating a vehicle purchase. Research three different types of vehicles that interest you and find out what the total cost of the vehicles will be in your area by investigating local vehicle prices, sales tax, and license and registration fees. Use an Internet search engine or the web links below to get started.

FDIC Consumer News

<https://fdic.gov/consumers/consumer/news/cnspr12/autoloans.html>

FTC Consumer Information

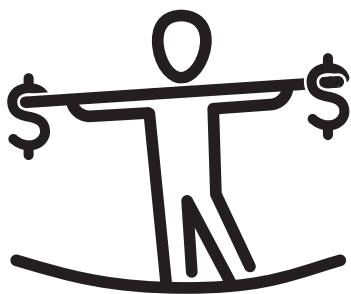
www.consumer.ftc.gov/articles/0209-buying-new-car

U.S. Department of Energy Fuel Economy

www.fueleconomy.gov

	Vehicle 1	Vehicle 2	Vehicle 3
Make/Model			
Price			
Sales Tax			
License and Registration Fees			
Misc.			
Total			

What research was surprising to you? Did the vehicles cost more or less than what you expected? Why?



Lesson 11: Risky Business

TOPIC: Risk Management and Insurance

OVERVIEW:

While teens and young adults may not be thinking about all the things that could go wrong in their lives, breaking down complex levels of **risk management** is a critical step in building a financial foundation. In this lesson, students are guided through different types of **insurance** and the purpose of each. Students assess real-world scenarios and engage in inquiry-based research about buying insurance.

Time: 65 min

Subject Connections:

- English Language Arts

Supplies:

- Projector (for teacher presentation slides)
- Access to the Internet (optional)

Preparation:

- Make copies of student handout
- Set up projector with presentation slides

Glossary with key vocabulary 16

OBJECTIVES:

1. Identify common risks and strategies to reduce risk
2. Explain the purpose and importance of various insurance types
3. Recognize when insurance is needed and how to get it

INDIVIDUAL HANDOUTS:

- Name That Insurance
- Insurance Investigator
- Life Map

GROUP HANDOUTS:

- none

TEACHER PRESENTATION SLIDES:

- Types of Insurance
- Insurance Lingo

ESSENTIAL QUESTIONS:

- What is insurance?
- Do I need insurance, and if so, what type(s) of insurance do I need?
- How do I get insurance?

ASSESSMENT ACTIVITIES:

Pre-Assessment:

- **Activity:** Picture This!

Post-Assessment:

- **Handout:** Name That Insurance
- **Handout:** Insurance Investigator
- **Handout:** Life Map*

***Money Smart Portfolio Handouts**

Instruction Steps

WARM UP

Picture This!

10 MINUTES

Open the lesson by telling students that they are going to play a Pictionary-type game to illustrate different terms related to insurance. Divide the class into small groups and assign each group a different type of insurance to draw, such as health, life, or auto. Give groups several minutes to decide what they will illustrate and then give each group a chance to draw its term while the rest of the class guesses what it means.

When all groups have had a chance to draw, ask students to share what they know about insurance.

Ask students:

- *What is insurance?*
- *Why do people have insurance?*
- *What is the difference between health, life, and auto insurance?*

Invite volunteers to share their ideas and explain that today's lesson will focus on answering those questions by exploring potential **risks** we may encounter in life and how insurance can help us manage those risks.

GUIDED EXPLORATION

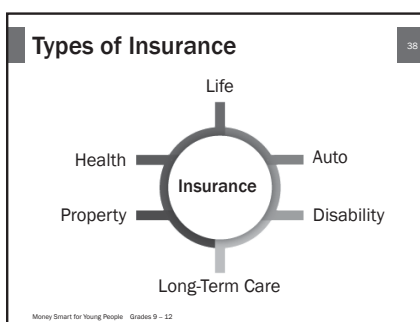
Types of Insurance

25 MINUTES

Explain to students that the main reason people carry insurance is that insurance helps minimize financial risk and the use of current income or savings to pay for property damages or health needs. When an accident or emergency happens, insurance helps cover financial costs.

For example: if a tornado destroys a person's home, their property insurance helps pay for the damages. Likewise, if a person gets into a car accident, and assuming the person has the right coverages, auto insurance helps defray costs associated with the crash. Tell students that, for different situations, you carry different types of insurance.

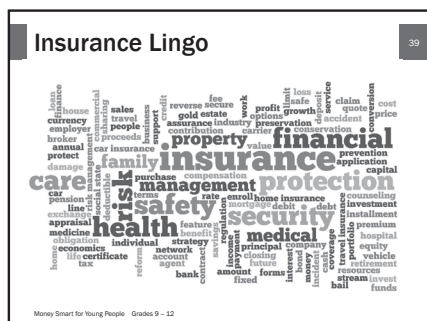
Next, display the **Types of Insurance** slide and review each type with the class, sharing examples of your own or using the guiding points below.



- **Health Insurance** protects you from risks of having to pay for medical expenses in the case of injury or illness. For example: if you became ill and needed to have a surgery, health insurance would help pay for the costs associated with your surgery and treatments.

- **Life Insurance** provides financial protection for loved ones when you die. It may also have other benefits. For example: if you're married and your spouse passes away, life insurance pays a sum of money to you, the **beneficiary**.

- **Auto Insurance** protects you from paying the full cost for repairs to your vehicle that result from an accident. Comprehensive coverage helps pay for damages to your vehicle due to theft, fire, or falling objects. For example: if someone accidentally rear-ends you, auto insurance helps pay for resulting damages or injuries. Liability insurance protects you if you are found to be responsible for an accident that causes property damage or injuries to others.
- **Disability Insurance** protects you from financial hardship when a covered illness or injury prevents you from earning a living.
- **Long-Term Care Insurance** helps minimize costs associated with a person needing assistance performing daily functions such as bathing, eating, and walking. Assisted living, home care nurses, and hospice services are all examples of financial costs that may be covered through long-term care insurance.
- **Property and Casualty Insurance** protects you against damage that may occur to your property as result of events like fires, tornadoes, and even theft.
- **Flood Insurance** covers losses directly caused by flooding. In simple terms, a flood is an excess of water on land that is normally dry, affecting two or more acres of land or two or more properties.



Next, tell students that, while it is important to investigate the different types of insurance available to you, there are also key terms to know in order to understand which insurance options are right for you. Display the **Insurance Lingo** slide and review each of the terms with the class.

- **Policy:** the contract between the insured (you) and the insurer
- **Claim:** the request from the insured to the insurer for payment
- **Premium:** the amount of money paid by the insured to have an insurance plan
- **Deductible:** the amount of money paid by the insured before an insurance plan takes over or covers the remaining amount owed
- **Copay/Coinsurance:** fee paid by the insured when receiving a medical service

Next, distribute the **Name That Insurance** handout and have students work together in small groups or twosomes to name the insurance that will most help minimize financial risk in each scenario.

Invite groups to share their answers, and then explain the correct insurance type for each scenario, reiterating that different situations require different risk protection.

Grade-Level Modifications:

Beginner: Focus the lesson exclusively on one insurance type, such as health or auto, before moving into the many different types of insurance.

Advanced: Expand insurance types to discuss what businesses need in order to be financially protected. Have students research and assess different insurance types as they relate to business entities.

INDEPENDENT EXPLORATION

Insurance Investigator

20 MINUTES

Note: These activities are more independent than the Guided Exploration activities and may be used as homework assignments, collaborative group work, or independent study.

Distribute the *Insurance Investigator* handout and tell students that they will now have an opportunity to research different insurance policies and assess which policy best meets the scenario on the handout. Students can work together in small groups or individually to compare and contrast their insurance research.

MONEY SMART TIP!

Explore health care reform and discuss how it has evolved over time. For instance, share with students a timeline of health care history and discuss changes in the past 100 years (www.pbs.org/healthcarecrisis/history.htm). Ask students to share their ideas on how they think health care will evolve in the next 100 years.

When students are finished conducting research, invite volunteers to share their final health insurance choice and present their case to the class.

WRAP UP

Life Map

10 MINUTES

Close the class by distributing the *Life Map* handout and allow time for students to reflect on how their risk management needs may change during different phases of their lives. Invite volunteers to share their ideas and remind students that taking the time to research and inform yourself of all of your options is the best way to minimize risk and be prepared for any unexpected financial costs.

Extended Exploration

Note: Use the following ideas to extend financial literacy concepts throughout the school year within core content areas through English Language Arts, Math, Social Studies and Economics, and Technology activities, projects, and discussions. Duration of activities will vary.

ENGLISH LANGUAGE ARTS

Writing Prompts:

What national changes do you think would help improve health care, and why?

Should everyone be entitled to equal health insurance? Why or why not?

Why do you think there are such steep penalties and fees for driving without auto insurance? Do you agree or disagree?

Suggested Readings:

Why Health Coverage Is Important by **HealthCare.gov**: Learn about why health insurance helps protect you from financial and health risks. **www.healthcare.gov/why-should-i-have-health-coverage**

Do College Students Need Life Insurance? by Nerd Wallet: Read about life insurance and its relation to college students.

www.nerdwallet.com/blog/insurance/college-students-need-life-insurance

MATHEMATICS

Activity/Project Ideas:

Have students calculate probabilities under different insurance-based challenges. For example: have them calculate the number people who are insured, or need insurance, and are likely to file insurance claims based on geographic patterns (that is, in tornado-, forest-fire-, or earthquake-prone areas).

SOCIAL STUDIES AND ECONOMICS

Discussion Topics:

Discuss and define how insurance differs for consumers, businesses, and the government.

Have students explore and discuss impacts of health care reform on personal and national levels. For example: how many people are currently uninsured or underinsured in the United States? How do the statistics vary from state to state? In what ways has health care reform improved uninsured rates?

Activity/Project Ideas:

Have students review and analyze different sections of the Affordable Care Act and present their findings to the class. For example: students can find more information about the act by visiting the U.S. Department of Health and Human Services at [**www.hhs.gov/healthcare/rights**](http://www.hhs.gov/healthcare/rights).

TECHNOLOGY

Online Resources:

Health Care of Children Under 26: Information on how health care coverage works for children under age 26.

[**www.healthcare.gov/young-adults/children-under-26**](http://www.healthcare.gov/young-adults/children-under-26)

Comparing Health Plans: An online guide to comparing health insurance plans, including information on out-of-pocket expenses and monthly premiums.

[**www.healthcare.gov/choose-a-plan/comparing-plans**](http://www.healthcare.gov/choose-a-plan/comparing-plans)

The Marketplace in Your State: Information on how to enroll in health coverage.

[**www.healthcare.gov/marketplace-in-your-state**](http://www.healthcare.gov/marketplace-in-your-state)

Classroom activities from the Consumer Financial Protection Bureau (CFPB)

The CFPB has developed a set of classroom activities to help teachers develop and support the building blocks of financial capability in their students. Each activity is designed to be completed within a single class period and includes a teacher guide and supporting student material. Some specific activities that are relevant to this lesson include:

Exploring types of insurance

Students investigate different types of insurance and determine which types of insurance they will most likely use in their lifetimes.

[**www.consumerfinance.gov/practitioner-resources/youth-financial-education/teach/activities/exploring-types-insurance/**](http://www.consumerfinance.gov/practitioner-resources/youth-financial-education/teach/activities/exploring-types-insurance/)

Analyzing auto insurance scenarios

Working in groups, students use real-world scenarios to explore how people's choices in auto insurance coverage can affect them financially when unexpected events happen.

[**www.consumerfinance.gov/practitioner-resources/youth-financial-education/teach/activities/analyzing-auto-insurance-scenarios/**](http://www.consumerfinance.gov/practitioner-resources/youth-financial-education/teach/activities/analyzing-auto-insurance-scenarios/)

Understanding how insurance works: A case study about Omar

After reading a handout about how insurance works, students complete a case study to determine the financial impact (both positive and negative) of insurance choices in their lives.

www.consumerfinance.gov/practitioner-resources/youth-financial-education/teach/activities/understanding-how-insurance-works-omar/

Answer Key

Student Handout 1:

Name That Insurance.

1. Auto Insurance
2. Health Insurance
3. Auto Insurance
4. Life Insurance
5. Long-Term Care Insurance
6. Disability Insurance
7. Property Insurance
8. Health Insurance

Student Handout 2:

Insurance Investigator.

Answers will vary. Use handout to assess student ability to conduct research and evaluate and compare data.

Student Handout 3:

Life Map.

Answers will vary. Students may reflect that auto insurance is needed for each phase of life as long as they drive a vehicle, and that health insurance is needed throughout life, but additional coverage may be needed as they get older, including long-term care, disability, and life insurance.



Lesson 11: Risky Business

NAME THAT INSURANCE

Name: _____

Read each of the scenarios below and decide which insurance would help minimize financial risk.

Scenario	What kind of insurance is needed?
1. Ani's vehicle skids off the road and into a telephone pole after she hits a patch of ice	
2. Jon's appendix bursts and he needs immediate medical attention	
3. Dylan rear-ends the vehicle in front of him after the driver slams on his brakes	
4. Rionna's husband recently passed away and she needs help covering the cost of the funeral	
5. Genevieve is 85 years old and requires a daily nurse to help her	
6. Vincent breaks his leg and is unable to work for six months	
7. A hurricane breaks windows and floods Catherine's home and everything needs to be replaced	
8. Mason breaks his leg playing soccer and needs to have surgery and a cast	



Lesson 11: Risky Business

INSURANCE INVESTIGATOR

Name: _____

Derek lives in Chicago, Illinois, and earns \$40,000 a year working at a hotel. He is not married and has no children. He has been covered by his parents' health insurance plan, but now he is about to celebrate his 26th birthday and needs help figuring out what insurance options are available to him. Using Internet search engines or www.HealthCare.gov research, offer Derek three different insurance policies to choose from.

	Policy 1	Policy 2	Policy 3
Name of Provider			
Premium			
Co-pay			
Deductible			

What are the pros and cons for each of the three options you researched?

Based on your research, which insurance policy do you think would work for Derek? Why? Write a brief paragraph evaluating your position.



Lesson 11: Risky Business

LIFE MAP

Name: _____

WHEN I'M 26 YEARS OLD...



WHEN I'M 56 YEARS OLD...



WHEN I'M 86 YEARS OLD...