



REAL-LIFE MONEY SITUATIONS FOR YOUNG ADULTS

SUPPLEMENT FOR INSTRUCTORS & TRAINERS



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The Federal Deposit Insurance Corporation is an independent agency created by the Congress to maintain stability and public confidence in the nation's financial system. One way we do that is by providing free, non-biased financial education materials, including this Supplement for Instructors and Trainers. For more information about our family of Money Smart products, visit **[fdic.gov/moneysmart](https://www.fdic.gov/moneysmart)**.

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INTRODUCTION FOR INSTRUCTORS

The Federal Deposit Insurance Corporation (FDIC) created Real Life Money Situations for Young Adults to strengthen the financial knowledge, skills, and self-efficacy of young adults ages 16 to 24. The five scenarios can be used with the Money Smart for Young Adults (MSYA) financial education curriculum, available at fdic.gov/moneysmart, with other financial education curricula, or as stand-alone activities. Each scenario features a young adult facing realistic financial decisions. Young adults reflect on the scenarios and consider how they might respond in similar situations.

Delivering the Scenarios

When the scenarios are used as stand-alone activities, you can use them in any order. When used to supplement financial education curricula, they can be used before or after the training, either to introduce or reinforce the covered material.

The Real-Life Financial Situations for Young Adults scenarios are detailed and lend themselves to in-depth discussion. Budget 20-30 minutes per scenario.

Choosing Scenarios to Use

The table below identifies the MSYA¹ modules covered by the scenario(s).

#	MSYA Modules	Scenarios
1	Bank on It	Makayla Starts a Job
2	Setting Goals and Making Financial Decisions	Jordan Buys a Car
3	Making the Most of Your Income	Makayla Starts a Job
4	Making and Using a Spending and Saving Plan	Makayla Starts a Job
5	Saving for Your Goals and Your Future	Jordan Buys a Car
6	Building Your Credit History	Mei Finds a Place to Live
7	Borrowing Basics	Jordan Buys a Car
8	Charge it Right	Reggie Takes a Trip with Friends
9	Protecting Your Money and Your Identity	Reggie Takes a Trip with Friends
10	Buying a Car	Jordan Buys a Car
11	Paying for Training and Education	Mateo Plans to Pay for College
12	Living on Your Own	Mei Finds a Place to Live

Options for Using the Scenarios

In a group setting, you or a volunteer can read a scenario and ask the participants to consider the reflection questions in pairs or small groups. Then, lead a discussion with the larger group and allow the young adults an opportunity to share their thoughts on the questions. Contribute suggestions from *Appendix A: Possible Answers to the Reflection Questions*.

You can also assign one or more scenarios for young adults to complete on their own. Distribute printed copies or provide the fillable portable document format (PDF) versions.

¹ See Appendix B for more information on Money Smart for Young Adults modules.

Makayla Starts a Job



Makayla landed her first job as a receptionist and works a few days each week, totaling 50 hours per month. She earns \$8.50 per hour and is paid twice a month. Makayla has the following options to receive her pay in the table below.

Options	Description
Paper Check	Makayla's paper checks can be cashed, loaded onto a prepaid debit card, or deposited into a checking or savings account, either in person or remotely with her smartphone. Her choice will impact how quickly she can access her funds. If she cashes her paper checks at a retail check casher, for example, she will have immediate access to those funds. If she loads her paper checks onto a prepaid debit card or deposits them into a checking or savings account at an insured financial institution, the funds may not be available until the following day or later.
Payroll Card	A payroll card is a prepaid card arranged by an employer to pay its employees. When Makayla uses a payroll card, she is spending money that has already been loaded onto the card. Makayla will have immediate access to her funds.
Direct Deposit to a Checking or Savings Account	With direct deposit, Makayla's pay is electronically deposited into her account at a financial institution. If she chooses, she can split the direct deposit between a checking and savings account. Depending on the financial institution, electronic deposits may be available immediately or the following day.

Makayla chooses to get a paper check, but she has the option to switch her payment method any time.

Makayla plans to use \$145 per month for social activities with friends, tennis team expenses, donations to her place of worship, and a portion of her family’s shared cellular plan. She shares a laptop with her family, so she also wants to save to buy her own. The model that Makayla likes most costs \$550.

On payday, Makayla reviews the pay statement (shown below) attached to her paycheck.

Anytown Services Corporation Pay Statement	For Pay Period: 02/15/2025 to 02/28/2025	Pay Date: 03/03/2025
Name Ross, Makayla V.	Number of Hours 25	Hourly Rate \$8.50
Address 123 Maple Street Anytown, USA 12345		Net Pay \$170.90
Pay	Current Pay Period	Year-to-Date
Gross Pay	\$212.50	\$425.00
Total Deductions (includes FICA and state taxes)	\$41.60	\$83.20
Net Pay	\$170.90	\$341.80
Deductions	Current	Year-to-Date
FIT: Federal Income Tax	\$21.25	\$42.50
SIT: State Income Tax	\$4.00	\$8.00
FICA: Social Security	\$13.17	\$26.34
FICA: Medicare	\$3.18	\$6.36
TOTAL Deductions	\$41.60	\$83.20
Benefits Paid by Anytown Services Corporation	Current	Year-to-Date
FICA: Social Security	\$13.17	\$26.34
FICA: Medicare	\$3.18	\$6.36
Total Paid by Anytown Services Corporation	\$16.35	\$32.70

Her supervisor recommends that she cash her paycheck at a nearby retailer. Since the store charges \$3.90 to cash the check, Makayla leaves the store with \$167.

Makayla Starts a Job: Reflection Questions

1. Makayla currently receives her pay by paper check, which she can change at any time. What factors should Makayla consider for each option in the chart below?

Considerations	Paper Check	Payroll Card	Direct Deposit
Advantages			
Disadvantages			
Further Research			

2. What was the difference between Makayla's gross pay and net pay in her paycheck? Where did that money go?

3. If Makayla continues to cash her twice-monthly paychecks at the retail store, how much will she spend in one year on the service?

4. Assume she continues to work 50 hours per month and continues to cash paper checks at the retail store. How much will Makayla be able to save toward a laptop each month?

5. How long will it take her to save for a laptop?

6. What could Makayla do to buy a laptop sooner?

Jordan Buys a Car



Jordan wants to buy a car when she graduates from high school in ten months. She has saved \$3,000 for a down payment and wants to save \$1,000 more.

Jordan is an assistant troop leader for a scouting group. She joined her troop on a field trip to a local bank. During the field trip, a banker gave a lesson on the importance of setting financial goals. The banker asked the scouts to take a few minutes to write their goals. Jordan wrote her own after helping the scouts write theirs. Here are her notes:

I earn about \$500 per month after taxes as a server.

I spend about \$250 per month to buy things I need and \$150 per month in expenses for my dog.

Goal: I will save \$100 of my pay every month for the next ten months to save an additional \$1,000 toward a down payment on a car.

Jordan has narrowed her choices to three compact cars. She researched the additional costs (e.g., costs aside from the monthly loan payment) of owning each car. She plans on driving the car for five years. Jordan calculated the average yearly cost of owning each car on the Table 1 below.

Table 1

Other Costs of Ownership per Year	Elegance	Slipstream	Excelsior
Repairs and Maintenance	\$550	\$650	\$670
Insurance	\$800	\$880	\$900
Registration, Taxes, and Fees	\$200	\$180	\$170
Depreciation	\$1,600	\$1,570	\$1,500
Fuel for 15,000 Miles	\$1,100	\$1,100	\$1,100
Total Estimated Other Costs of Ownership per Year	\$4,250	\$4,380	\$4,340

Jordan's parents encouraged her to comparison shop both online and at local dealers. Her credit is good enough that it is not a barrier to getting a car loan. Her parents encouraged her to compare rates offered by local financial institutions and get preapproved for an auto loan before going to the dealership. When she gets to the dealership each dealer also offers to finance her car purchase.

Table 2

Car Option	Elegance	Slipstream	Excelsior
Price	\$13,000	\$12,000	\$11,500
Down Payment	\$4,000	\$4,000	\$4,000
Amount of Car Loan	\$9,000	\$8,000	\$7,500
Annual Percentage Rate (APR)	60 months	60 months	60 months
Monthly Payments	\$187	\$164	\$154
Interest Paid Over the Life of the Loan	\$2,210	\$1,848	\$1,743

Jordan Buys a Car: Reflection Questions

1. Will Jordan reach her goal of saving \$1,000 in ten months? Why or why not?

2. Jordan's veterinarian told her that her dog is overdue for a teeth cleaning, which will cost about \$200. What can she do to still make the car purchase?

3. Which car has the lowest estimated costs of ownership, excluding the monthly car loan payment?

4. Which offer has the lowest monthly loan payment? What could reduce the monthly payment?

5. Which car has the lowest total interest paid over the life of the loan? What could reduce the total interest paid?

6. Given the information on other costs of ownership, which car may cost Jordan the least per year? Use the table below to make the comparison.

Cost	Elegance	Slipstream	Excelsior
Annual Costs of Ownership			
Annual Car Loan Payments (Monthly Payment x 12)			
Total			

Answer:



Reggie Takes a Trip with Friends

Reggie has been waiting for this trip for months. He and his friends David, Isaias, and Teddy are headed to the beach for spring break! With his parents' help, Reggie opened a credit card account. He used the card to rent a small house within walking distance of the beach using a vacation rental website. The rental is \$800, and the four friends agree to split the cost evenly when they get back.

The trip is a lot of fun. One afternoon they play beach volleyball with some other spring breakers until sundown. One of the people they just met borrows Reggie's phone to call for a ride.

The next day, Isaias rents a sea kayak and pays by check. The rental agency asks him to write his Social Security number in the memo line of the check.

On the last day of the trip, the four friends are looking for a boat to take them snorkeling. They approach a tour guide who says that he has only four places left for the last tour of the day. He tells them if they do not book now, they'll miss their chance. He becomes aggressive, raising his voice. Reggie and David book the snorkeling trip. Reggie pays by credit card and David pays cash.

Teddy and Isaias check out some of the other snorkeling options instead. They are surprised to find a cheaper trip that's an hour longer.

On the drive home, they talk about paying Reggie back for the rental house. Each of them owes Reggie \$200. David pays Reggie using a person-to-person app they both downloaded to their smartphones. Isaias writes Reggie a check. Teddy offers to give Reggie cash tomorrow at school.

Two weeks later, Reggie looks over his credit card statement. He compares the charge for the snorkeling trip to his signed booking agreement and his receipt. He was charged an extra \$50 for his snorkeling tour! Meanwhile, Teddy still has not paid him back for the rental house.

Reggie Takes a Trip with Friends: Reflection Questions

1. What happened during the trip that should have been red flags to Reggie and his friends?

2. How should the friends respond differently to similar events in the future?

3. Reggie's three friends offer different ways to repay their share of the rental house. What are the advantages and disadvantages of each?

	Person-to-person (P2P) App	Check	Cash
Advantages			
Disadvantages			

4. What should Reggie do when he realizes he has been charged an extra \$50 for the snorkeling tour?

5. Teddy still has not paid Reggie back for the rental house. What can Reggie do in the future to make sure he gets paid back and avoids conflict with friends over money?

Mei Finds a Place to Live



Mei got a job downtown and wants to move to be closer to work, museums, restaurants, and other attractions. The city is very walkable and has great accessibility features for pedestrians, which is important to Mei because she is visually impaired. In addition to accessibility features for pedestrians, Mei also uses a white cane to scan her surroundings. She does not have a service animal.

Mei has identified three options for places to live.

- **Option 1: Live with friends.** Three friends from high school are living in a house downtown owned by one of the friend's parents. They offered to let her stay in in a small spare bedroom for \$400 per month. This would be an informal arrangement, without a lease.
- **Option 2: Basic efficiency apartment.** This rental unit would be cramped but meets Mei's needs and is within her price range. They do not require a credit check. She would sign a lease for this option.
- **Option 3: One-bedroom apartment.** This unit is spacious but more expensive than the other options. Mei can still afford it. They do require a credit check on all applicants. She would sign a lease for this option.

Mei created the table below to compare her options.²

Rental Option Detail	Option 1: Live With Friends	Option 2: Basic Efficiency Apartment	Option 3: One-Bedroom Apartment
Lease	No	Yes	Yes
Term	Month-to-month.	One year, and then month-to-month.	One year, and then month-to-month.
Application Fee	None	\$50	\$50
Security Deposit	None	\$800	\$1,100
Rent Due	First of the month.	First of the month; \$25 late fee.	First of the month; \$25 late fee.
Monthly Rent	\$400	\$750	\$1,100
Increase in Rent	Unknown	\$50 after one year.	No increase for 36 months, then an increase of no more than 10% for the next 12 months.
Utilities	<ul style="list-style-type: none"> Not included. Utility bills including electric, gas, waste, water, and internet will be divided evenly among the friends each month. 	Electric, gas, waste, and water are included.	Electric, gas, waste, water, and internet service are included.
Repairs	Unclear.	Commits landlord to keeping the unit in working order and provides instructions for reporting repair needs.	Commits landlord to keeping the unit in working order and provides instructions for reporting repair needs.
Pets	One friend has two cats. No other pets are allowed.	<ul style="list-style-type: none"> Up to two small pets are allowed. An additional security deposit of \$100 is required for each pet. 	No pets are allowed.
On-site Amenities	<ul style="list-style-type: none"> Stationary bike in the basement. Access to the shared kitchen, living room with fireplace, and other common areas. 	<ul style="list-style-type: none"> Basic gym. Patio with grill and fire pit. 	<ul style="list-style-type: none"> Basic gym. Patio with grill and fire pit.

² Landlord-tenant laws vary from state to state and even within states. This is an example only and does not represent the laws in every jurisdiction. In all jurisdictions, a written lease provides a higher level of protection and a clearer understanding of responsibilities for both the landlord and tenant.

The landlord for Option 3 performs a credit check on applicants, reviewing credit reports and credit scores. Credit reports are documents that summarize consumers' records of repaying what they owe. Credit scores are numbers based on information in credit reports. They predict the likelihood that consumers will pay bills and debts as agreed. Three nationwide credit reporting agencies create credit reports and scores for consumers.

Mei has not reviewed her credit reports and does not know her credit scores. She fears that she may not pass the credit check for Option 3. She made some mistakes with her first credit card, and missed several payments. It took her some time to catch up, but now she does not have any debts. She has avoided using her credit card over the past several months.

Mei Finds a Place to Live: Reflection Questions

1. What are the advantages and disadvantages of each option in the table below?

Consideration	Option 1: Live With Friends	Option 2: Basic Efficiency Apartment	Option 3: One-Bedroom Apartment
Advantages			
Disadvantages			
Other things to consider			

2. For Option 1, Mei would not have a lease. For Options 2 and 3, Mei would have a lease. What are the advantages of having a lease?

3. How might Mei's credit history affect her housing options?

4. What are some things Mei can do to make her credit less of a barrier in the future?

5. Which option is the best for Mei? For this question, assume that Mei's credit is not a barrier for any option.

Mateo Plans to Pay for College



Mateo is a high school senior. His goal is get a bachelor's degree and become a science teacher. Mateo completed the *Free Application for Federal Student Aid (FAFSA)* form at fafsa.gov before applying for acceptance at four 4-year colleges. In April, he received acceptance letters from three colleges. His high school counselor helped him understand the key terms of his financial aid offer letters.

- **Cost of attendance:** Cost of attendance is the amount it could cost a student to go to college. The estimated cost of attendance may include estimates for tuition and fees, room and board (or living expenses), books, supplies, transportation, loan fees, and miscellaneous expenses (including a reasonable amount for a personal computer), child care or other dependent care, and other costs.
- **Scholarships:** A scholarship is a form of financial aid that does not have to be repaid. Scholarships may be based on academic merit, talent, or a particular area of study. Scholarships from sources other than federal funds may also be based on membership in particular communities or affinity groups.
- **Grants:** A grant is a form of financial aid that does not have to be repaid. Most grants are awarded to students with financial need. One example is Pell Grants, which are widely available, but there are several other sources of grants as well.
- **Federal Work-Study Award:** The Federal Work-Study Program allows students to earn money to pay for school by working part-time. Schools maintain a list of jobs that are part of their work-study program. Most schools require students to apply for the jobs on their own. Jobs can be on- or off-campus. On campus, students usually work for their schools. Off campus, they usually work for private nonprofit organizations or public agencies.
- **Loans:** A loan allows students to borrow money to pay for college or career school. The student must repay the loan plus interest that accrues or builds.
- **Direct PLUS Loans:** Direct PLUS Loans are federal loans that parents of dependent undergraduate students can use to help pay for college or career school.

Mateo and his school counselor compared the most important information from the offer letters in the table shown below. (All amounts are annual.)

Information from Offer Letter	Appledale University	Banner Creek University	Chilton Run College
Tuition Type	In-state tuition at a public 4-year university	In-state tuition at a public 4-year university	In-state tuition at a 4-year private college
Cost of Attendance	\$24,000	\$27,000	\$62,000
Scholarships	\$5,000	\$10,000	\$48,000
Grants	\$5,000	\$5,000	\$2,000
Remaining Cost of Attendance After Scholarships and Grants	\$14,000	\$11,500	\$12,000

They also talked about other important considerations. For example:

- Appledale University is one hour from home. Mateo does improvisational comedy, or “improv.” The college has multiple student-run improv clubs, and the college offers improv classes.
- Banner Creek University is three hours from home. It has the largest education department in the state, and a specialized series of courses on teaching science.
- Chilton Run College is five hours from home, and in a city that Mateo thinks would be an exciting place to live. It also has a strong wrestling team. In fact, it offered a significant amount of financial aid to Mateo because he is a highly ranked high school wrestler.

Mateo is not ready to decide, but is leaning toward Banner Creek University. He and his high school counselor review options for covering the \$11,500 in net out-of-pocket costs.

Mateo expects to be able to pay \$2,500 per year toward his out-of-pocket costs by working as a lifeguard each summer. In addition, Banner Creek University is offering a work-study option. Working six hours per week he will earn \$2,000 per year. That leaves \$7,000 in out-of-pocket costs per year.

Banner Creek University's options include:

- **Federal Loans:** Federal student loans are made by the United States government with terms and conditions that are set by law. These loans include many benefits, including fixed interest rates and repayment plans that adjust to borrowers' incomes. These benefits are not typically offered with private loans. Federal loans to students include Direct Subsidized Loans and Direct Unsubsidized Loans.
 - Direct Subsidized Loans are available to students who meet the financial eligibility requirements and have better terms than Direct Unsubsidized Loans. The U.S. Department of Education pays the interest on Direct Subsidized Loans while borrowers are in school at least half-time, for the first six months after leaving school, and during periods of deferment (postponement of loan payments).
 - Direct Unsubsidized Loans are available to all students, regardless of financial need. Interest accrues while borrowers are in school and during deferment periods.
- **Private Loans:** Private loans are made by organizations including banks, credit unions, and state-based or state-affiliated organizations. The lender sets the loan terms and conditions. Private student loans are generally more expensive than federal student loans and have fewer repayment options.

The financial aid offer letter states the basic terms of the Federal Direct Subsidized Loans and Federal Direct Unsubsidized Loans that are available for his first year as an undergraduate. The information on the private loan is an estimate based on market averages. Mateo would need to secure a private loan directly from a private lender.

Loan	Interest Rate	Maximum Amount Available per Year
Federal Direct Subsidized Loan	5.05%	\$3,500
Federal Direct Unsubsidized Loan	5.05%	\$2,000
Private Loan (Estimated)	8.50%	\$2,000

Mateo and his counselor plan to meet again in a week to continue discussing his options as shown in the table above.

Mateo Plans to Pay for College: Reflection Questions

1. How do the colleges compare in terms of cost of attendance?

2. After considering the net out-of-pocket cost of the three offer letters, Mateo and his high school counselor discuss other advantages and disadvantages of the colleges. Besides cost, what are the factors they consider? What additional factors should they consider?

3. Besides the work-study option described in the scenario, what are ways Mateo could reduce the cost of getting a degree from Banner Creek University?

4. If Mateo chooses to go to Banner Creek University, he can borrow the \$7,000 for his first year. How much of each type of loan should he borrow?

Appendix A: Possible Answers to the Reflection Questions

This appendix is not intended to be an exhaustive list of possible answer. Instructors can share these possible answers, if needed. Participants may contribute valid ideas that are not included here.

Makayla Starts a Job

1. Makayla currently receives her pay by paper check, which she can change at any time. What factors should Makayla consider for each option?

Considerations	Paper Check	Payroll Card	Direct Deposit
Advantages	Can be deposited into an account, loaded onto a prepaid card, or cashed at a retail check casher.	<ul style="list-style-type: none">• Immediate access to money.• Safe and secure• Fewer trips to deposit or cash paychecks.	<ul style="list-style-type: none">• Access to money immediately or within one business day.• Safe and secure.• Deposit Insurance.⁴• Can earn interest.• Online and mobile banking options.• Free or low-cost checking accounts.
Disadvantages	<ul style="list-style-type: none">• Time and effort to deposit, load, or cash.• Possible fees to deposit, load, or cash.• Possible delays in access to money.• May be lost, damaged, or stolen.	Possible fees.	<ul style="list-style-type: none">• Not offered by all employers.• Possible ATM withdrawal fees.
Further Research	Find a way to cash or deposit checks to minimize fees.	Read the cardholder agreement to understand the features, fees, and other details.	Learn the features and fees of accounts that are available.

⁴ The Federal Deposit Insurance Corporation (FDIC) protects depositors' funds at FDIC-insured banks in the unlikely event of a bank failure. The standard insurance amount is \$250,000 per depositor, per insured bank. The National Credit Union Administration (NCUA) offers similar protections for accounts at NCUA-insured credit unions.

2. What was the difference between Makayla's gross pay and net pay in her paycheck? Where did that money go?
- Deductions account for the difference between Makayla's gross pay (the total earnings) and net pay (take-home earnings).
 - Deductions fall into two major categories: 1) required and, 2) elective (or voluntary).
 - Makayla's employer is required to take taxes out of her gross pay. These taxes may include federal, state, and local income taxes.⁵ In addition to income taxes, Makayla is required to pay Federal Insurance Contributions Act, FICA, tax. This tax funds two government programs: Social Security and Medicare.
 - Makayla may choose to have elective, or voluntary, deductions taken out of her pay. Examples of elective deductions include insurance premiums, union dues, charitable contributions, and/or direct deposits (allotments) to a savings account. Makayla has not chosen elective deductions.

Makayla's employer must also pay Social Security and Medicare taxes. These amounts are found under "Benefits Paid by Anytown Services Corporation" and do not come out of her pay.

3. If Makayla continues to cash her twice-monthly paychecks at the large retail store, how much will she spend in one year for the service?

\$93.60

4. Assume she continues to work 50 hours per month and continues to cash paper checks at the large retail store. How much will Makayla be able to save toward a laptop each month?

- Makayla's net pay is \$170.90 each paycheck. She pays \$3.90 to cash her check at the large retail store, leaving \$167. Since she is paid two times each month, \$334 ($\$167 \times 2 = \334) is available to her monthly.
- Her monthly expenses and charitable contribution equal \$145.
- That leaves \$189 each month to save toward her laptop ($\$334 - \$145 = \$189$).

5. How long will it take her to save to buy the laptop?

- The laptop Makayla has her eye on costs \$550. The cost of the laptop (\$550) divided by her monthly savings (\$189) equals 2.9. If she achieves her savings goal, Makayla will have enough money to buy the laptop in three months.

⁵ Some states and local governments do not require income taxes

6. What could Makayla do to buy a laptop sooner?
- Increase her income, decrease her expenses, or purchase a less expensive laptop.
 - Specific ideas include:
 - Switching to direct deposit to avoid check cashing fees.
 - Eliminating or reducing non-essential expenses.
 - Working more hours.
 - Finding a job that pays more.
 - Researching where she can buy the things she needs at lower costs.
 - Contributing less to charity.

Jordan Buys a Car

1. Will Jordan reach her goal of saving \$1,000 in ten months? Why or why not?
- Jordan can achieve her goal because she has \$100 of her pay left over after monthly expenses.
 - However, if Jordan has unexpected expenses, she may not save \$100 that month.
2. Jordan's veterinarian told her that her dog is overdue for a teeth cleaning, which will cost about \$200. What can she do to still make the car purchase?

Jordan can:

- Increase her income by working more hours.
 - Reduce or eliminate other expenses.
 - Lower her down payment and finance more of the cost of the car.
3. Which car has the lowest estimated costs of ownership, excluding the monthly car loan payment?
- Excluding the monthly car loan payment, the Elegance has the lowest estimated costs of ownership: \$4,270 per year.

4. Which offer has the lowest monthly loan payment? What could reduce the monthly payment?
 - The Excelsior has the lowest monthly car loan payment: \$154.
 - To reduce the monthly payment on the Excelsior, Jordan could:
 - Borrow less by making a larger down payment.
 - Borrow over a longer period, such as a 72-month term. This will require owning the car and making payments on it over six years, rather than five years.
 - Shop around for a car loan. Other lenders—including banks and credit unions—may offer more competitive terms, such as a lower APR. She can still make the purchase from Cars, Cars, Cars even if her car loan is from another lender.

5. Which car has the lowest total interest paid over the life of the loan? What could reduce the total interest paid?
 - The Excelsior has the lowest total interest paid over the life of the loan: \$1,743.
 - To pay less interest on the Excelsior, Jordan could:
 - Make a larger down payment so she borrows less.
 - Borrow over a shorter period, such as a 48-month term. Lenders generally charge lower interest rates for loans with shorter terms.
 - Shop around for a car loan. Other lenders may offer more competitive terms, such as a lower APR. She can still make the purchase from Cars, Cars, Cars, even if her car loan is from another lender.
 - Prepay all or part of the loan. Prepayment is paying more than the monthly payment and having the lender apply the additional amount to the amount owed.

6. Given the information on other costs of ownership, which car may cost Jordan the least per year? Use this table to make the comparison.

Cost	Elegance	Slipstream	Excelsior
Annual Costs of Ownership	\$4,250	\$4,380	\$4,340
Annual Car Loan Payments (Monthly Payment x 12)	\$2,244	\$1,968	\$1,848
Total	\$6,494	\$6,348	\$6,188

The Excelsior will cost Jordan the least per year.

Reggie Takes a Trip with Friends

1. What happened during the trip that should have been red flags to Reggie and his friends?
 - The request from someone he just met to borrow Reggie's cellphone was a red flag. Letting someone else use his phone gave the person an opportunity to access his personal information, which can be used to commit identity theft or fraud. If Reggie uses his cellphone for mobile banking, the person who borrowed it may have been able to transfer funds from Reggie's accounts.
 - Isaias was asked to give his Social Security number to the sea kayak rental agency. Social Security numbers can be used for identity theft and fraud. Isaias should be extremely careful about sharing his Social Security number, personal identification numbers (PINs), passwords, and other personal information. The rental agency didn't have a valid need for Isaias' Social Security number.
 - The tour guide used high-pressure tactics to push the friends to sign up for the snorkeling tour. Reggie and David signed up for the tour and later learned that they didn't get the best deal. They also did not get what the guide promised.
2. How should the friends respond differently to similar events in the future?
 - The request to use Reggie's cellphone by someone he just met was risky. In the future, he should offer to make the call on their behalf, instead. He should also ensure that security features are activated for his phone and apps.
 - Isaias was asked to provide his Social Security number by the rental agency. When someone asks for this in the future, he should ask why it is needed, how it will be used, what happens if he does not share it, and offer another form of identification. He should refuse to provide the information if he is not completely satisfied with the answers. He should never give his social security number to a stranger or someone he recently met.
 - The first tour guide used high-pressure tactics to push the friends to sign up for the tour. In the future, they should comparison shop whenever possible and walk away from a purchase if they are being pressured or something else does not feel right.

3. Reggie's three friends offer different ways to repay their share of the rental house. What are the advantages and disadvantages of each?

	Person-to-person (P2P) App	Check	Cash
Advantages	<ul style="list-style-type: none"> • Speed and convenience. • Funds are often immediately available. • Automatic tracking of transactions. 	<ul style="list-style-type: none"> • Can be deposited into an account at a financial institution or loaded onto some prepaid cards. • Automatic tracking of transactions if deposited into an account at a financial institution or onto a prepaid card. 	<ul style="list-style-type: none"> • Speed and convenience. • Funds are immediately available.
Disadvantages	<ul style="list-style-type: none"> • Both parties must have the same app downloaded to send or receive money. • Possible limitations such as a maximum transfer amount. • Possible fees. 	<ul style="list-style-type: none"> • Fees to cash or deposit the check. • Funds may not be available to use right away. • Paper checks may be lost or stolen before they are cashed or deposited. • Risk to the payee of the check not clearing. 	<ul style="list-style-type: none"> • Unless the funds are deposited into a federally insured financial institution, the risk of having money lost or stolen. • No automatic tracking of transactions.

4. What should Reggie do when he realizes he has been charged an extra \$50 for the snorkeling tour?
- Reggie should start by contacting the tour guide to ask questions about the charge. If the charge was an error, it is the tour guide's responsibility to contact the credit card company to correct it.
 - Consumers have the right to dispute incorrect credit card charges. If the tour guide does not correct the charge, Reggie should contact his credit card company to dispute the charge as soon as possible, but no later than 60 days after the first billing statement reflecting the charge. The credit card company should have information about how to dispute charges either online or through its customer service telephone number. Keeping receipts and other documents is a helpful consumer protection practice.
5. Teddy still has not paid Reggie back for the rental house. What can Reggie do in the future to make sure he gets paid back and avoids conflict with friends over money?
- Reggie could ask his friends to pay their share of the house before the trip, instead of after, while he can still cancel the rental and make new plans with his friends.

Mei Finds a Place to Live

1. What are the advantages and disadvantages of each option?

Consideration	Option 1: Live With Friends	Option 2: Basic Efficiency Apartment	Option 3: One-Bedroom Apartment
Advantages	<ul style="list-style-type: none"> • Least expensive. • Potentially fun to live with friends. • No application fee. • No security deposit. • No credit check. 	<ul style="list-style-type: none"> • Rent includes several utilities: electric, gas, waste, and water. • No credit check. 	<ul style="list-style-type: none"> • Spacious. • Rent includes several utilities: electric, gas, waste, water, and internet service. • Most extensive amenities.
Disadvantages	<ul style="list-style-type: none"> • Living together could put a strain on friendships. • Rent does not include utilities. • Ambiguity about responsibility for repairs. • Least extensive amenities. 	<ul style="list-style-type: none"> • Cramped. • Rent does not include internet service. • Application fee. • Security deposit is held by landlord. 	<ul style="list-style-type: none"> • Most expensive. • Credit check. • Application fee. • Security deposit is held by landlord.
Other things to consider	Not having a lease means that Mei may not be protected in disagreements with roommates or the landlord, or from eviction.	<ul style="list-style-type: none"> • Lease has a term of one year before the lease becomes month-to-month. • That offers Mei the security of having a place to live for that period, but also limits her ability to move before the end of that one-year period. 	<ul style="list-style-type: none"> • Lease has a term of one year before the lease becomes month-to-month. • That offers Mei the security of having a place to live for that period, but also limits her ability to move before the end of that one-year period.

2. For Option 1, Mei would not have a lease. For Options 2 and 3, Mei would have a lease. What are the advantages of having a lease?
 - A lease establishes that Mei will have a place to live for the period specified in the lease, as long as Mei pays her rent on time and meets her responsibilities. Without a lease, she could be required to move out on short notice.
 - The lease is clear about types of repairs that are the responsibility of the landlord. Without a lease, it is unclear who is responsible for repairs.
 - A lease provides protections for both the landlord and Mei, and clearly defines their responsibilities.
3. How might Mei's credit history affect her options for housing?
 - If Mei is right that her credit reports and credit scores will not meet the landlord's requirements for Option 3, then her credit history has limited her housing options. Low credit scores, or credit reports with negative information may result in:
 - Paying more rent up front.
 - Having fewer rental options.
 - Paying a larger security deposit.
4. What are some things Mei can do to make her credit less of a barrier in the future?
 - Since everyone is entitled to one free credit report from each of the three nationwide credit reporting agencies every 12 months, Mei should request at least one of the reports now. She can order free credit reports at annualcreditreport.com or by calling 1-877-322-8228. Ordering her own credit reports will not affect her credit score. Credit reports are not always accurate and errors can misrepresent a person's credit history and result in a lower credit score. Mei can review her report and dispute inaccurate or outdated information.
 - Mei can take additional steps to build and repair her credit, such as:
 - Pay all bills on time and as agreed.
 - Use as little of her credit limit, the maximum amount that she can borrow, as possible on her credit card. Owing a large amount compared to her credit limit can reduce her credit score.
 - Apply for credit only if she really needs it. Applications for credit create inquiries. Too many inquiries can negatively affect credit scores.
 - Ask for a deletion. If Mei has generally paid her bills on time, but missed a payment or two, she may be able to negotiate a deletion of the negative entry.

5. Which option is the best for Mei? For this question, assume that Mei's credit is not a barrier for any of the options.
- There is no right answer to this question. The advantages, disadvantages, and other things to consider from the first reflection question show that this is a complicated decision with many factors.

Mateo Plans to Pay for College

1. How do the colleges compare in terms of cost of attendance?
- Appledale University has the lowest cost of attendance but offers the least financial aid. As a result, it has the highest net out-of-pocket cost of the three options.
 - Banner Creek University has a higher cost of attendance than Appledale University and lower than Chilton Run. Banner Creek University offers enough financial aid to make it the lowest net out-of-pocket cost.
 - Chilton Run College has the highest cost of attendance, but offers the most financial aid of the three options. The net out-of-pocket cost is slightly higher than Banner Creek University, but less than Appledale University.
2. After considering the net out-of-pocket cost of the three offer letters, Mateo and his high school counselor discuss other advantages and disadvantages of the colleges. Besides cost, what are the factors they consider? What additional factors should they consider?
- Employment and earning outcomes. Mateo may consider how well each school will position him to get a job and earn a good salary. One helpful resource is the U.S. Department of Education's College Scorecard at collegescorecard.ed.gov. This site provides data on starting salaries by field of study for people who graduate from colleges around the country. Mateo can search and compare colleges: their fields of study, costs, admissions, results, and more.
 - Features of the academic experience. Mateo is already aware of a special feature of Banner Creek University's academic offerings. Banner Creek offers a series of courses on teaching science effectively. Further research may help Mateo understand more about each college's educational experience.
 - Distance from home and travel costs. Mateo notes how far each college is from home. He may want to explore travel costs between his home and school by car, train and other modes of transportation. In addition, Mateo may want to consider whether being closer to home will save money on laundry and other items.

- Extracurricular activities. Mateo wants to pursue his wrestling and improvisational comedy interests. He may want to research what is available at the three colleges for these and other extracurricular activities.
3. Besides the work-study option described in the scenario, what are ways Mateo could reduce the cost of getting a degree from Banner Creek University?
- Apply for additional scholarships. Mateo's offer letters from the three schools included scholarships each one offers. There are many other scholarships available beyond what the school offers. Mateo could explore scholarships offered by businesses, individuals, private companies, nonprofits, religious groups, and professional and social organizations. Deadlines for applying for scholarships vary. Mateo might be a bit late for scholarships that would help fund his first year of college, but he could apply now for scholarships that would help cover the costs of his second, third, and fourth years.
 - Defer enrollment and use the time to work and save. Working for one to two years and saving would allow Mateo to pay more of the costs of college himself and borrow less. By borrowing less, he will pay less interest, and likely be in debt for fewer years. Colleges and universities have different policies on deferring enrollment. Students must have an approved deferment from the university before scholarships will be considered for deferment. Mateo should research whether he will risk not being admitted to Banner Creek University if he defers or reapplies.
 - Attend community college first. Mateo may explore taking courses at a community college that are transferable to Banner Creek. This option will require research to make sure the community college courses will count toward the Banner Creek University degree.
4. If Mateo chooses to go to Banner Creek University, he can borrow the \$7,000 for his first year. How much of each type of loan should he borrow?
- Mateo should borrow the full \$3,500 available as a Direct Subsidized Loan. That type of loan offers the best terms considering the interest rate and special advantages.
 - Mateo should borrow the full \$2,000 available as a Direct Unsubsidized Loan. That type of loan offers a better interest rate than the private loan.
 - Mateo should borrow \$1,500 as a private loan to cover the remaining costs of his first year at Banner Creek University.
 - Note that Mateo could use an online loan simulator (studentaid.gov/loan-simulator) to predict future payments for his federal loans under different repayment plans.

Appendix B: Money Smart for Young Adults Module Descriptions

Money Smart for Young Adults includes 12 modules covering important financial topics shown in the table below. Materials for this and other Money Smart curricula are available at fdic.gov/moneysmart.

Modules	Module Focus
Module 1: Bank On It	Introduces participants to the services banks offer, how to open an account, and mobile banking.
Module 2: Setting Goals and Making Financial Decisions	Teaches participants how to set realistic and action-oriented financial goals and be aware of influences on financial decisions.
Module 3: Making the Most of Your Income	Helps participants consider how they will use income to save, share, and spend, and explores employment-related topics such as taxes, deductions, and benefits.
Module 4: Making and Using a Spending and Saving Plan	Shows participants how to create and use a spending and saving plan to manage income and expenses.
Module 5: Saving for Your Goals and Your Future	Helps participants consider where to save and create savings plans.
Module 6: Building Your Credit History	Explains fundamental credit concepts and emphasizes building and maintaining a good credit history.
Module 7: Borrowing Basics	Helps participants consider options for borrowing and what they cost.
Module 8: Charge It Right	Teaches participants how to shop for and use a credit card responsibly.
Module 9: Protecting Your Money and Your Identity	Considers how participants can reduce risks to their money and other assets, including identity theft and fraud.
Module 10: Buying a Car	Prepares participants to shop for and purchase a car, including shopping for and repaying car loans.
Module 11: Paying for Training and Education	Prepares participants to make decisions about training and education after high school and how to pay for it.
Module 12: Living on Your Own	Helps participants consider options for renting and buying homes.