



MODULE 10:
**Building Your Financial
Future**

PARTICIPANT GUIDE



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 Participant Guide. For more information about our family of Money Smart products, visit www.fdic.gov/moneysmart.

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Welcome

Welcome to the FDIC's Money Smart for Adults!

This is the Participant Guide for **Module 10: Building Your Financial Future**. Use it during and after training. Mark it up, write in it, take notes—it is yours to keep.

Module Purpose

This module covers how to create plans to build assets for a solid financial future.

This module also:

- Defines and explains assets, liabilities, equity, net worth, and their relationship to each other
- Discusses categories of assets: financial, physical, and productive
- Explains how specific assets, and asset-building in general, can provide financial stability and economic inclusion
- Describes ways to get (afford) assets
- Describes the relationships among credit, loans, and getting assets
- Explores the productive value of education and reliable transportation

Section 1: Assets and Asset-Building

We will discuss what assets are, why assets are beneficial, how assets can help you build your financial future, and how you can develop a plan to build assets.



Key Takeaway

Assets can lead to wealth and financial security.

What is an Asset?

An asset is something you own that has value.

There are three types of assets:

- **Physical assets.** These are assets you can see and touch.
- **Financial assets.** These are monetary assets.
- **Productive assets.** These are intangible assets that can help you produce more assets, often by earning more money.



An asset's value is determined based on its type.

- Physical assets are valued based on their **resale value**.

Examples:

- Financial assets are valued based on their **actual value**.

Examples:

- Productive assets are generally **not valued in dollars**.

Examples:



Try It: Is It an Asset?

Check "Yes," "No," or "It Depends" for each item.

Item	Yes It is an asset	No It is not an asset	It Depends	Notes from the Discussion
New computer				
Credit card				
College degree				
Inventory in a business				
Your credit history and credit scores				
Lunch at a restaurant				
Renting an apartment				
On-the-job training				
Money in a savings account				
Cell phone				
House you own				
Cable television service				



Apply It: My Assets

Think about the assets you or your family have.
Then answer the questions.

Physical: What physical assets do I or my family have?

Financial: What financial assets do I or my family have?

Productive: What productive assets do I or my family have?

Benefits of Asset-Building

Asset-building refers to strategies that increase the financial, physical, and productive assets you own.

Being financially secure means you can take care of yourself and your family even if unexpected things happen.

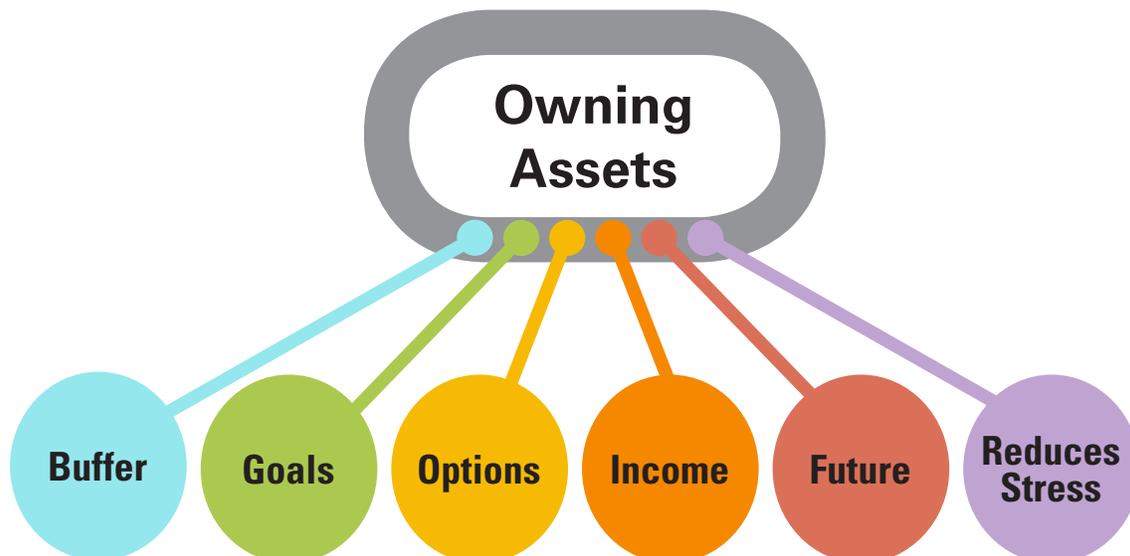
Financial security requires both income and assets.

You can think of your assets as the foundation for your financial future.

Owning Assets

- Creates a “buffer” to help you and your family handle emergencies and hardships
- Helps you reach your goals
- Increases your options for education, health care, where you live, and other things in life
- Helps you earn more income
- Inspires you to look to the future and make long-term plans
- Reduces stress for you and your family

Financial Security → Income AND Assets





Apply It: Developing My Plan to Build More Assets

You can start to develop your plan by answering these questions.

What additional assets – financial, physical, and productive – would help me meet the goals I have for my future?

What resources do I need to get those assets?

What specific steps could I take to get those resources?

Apply It: Developing My Plan to Build More Assets *continued*

What are some obstacles that may get in the way as I build assets?

How will I manage those obstacles?



Remember the Key Takeaway

Assets can lead to wealth and financial security.

Section 2: How Assets Create a Financial Foundation

We will discuss the relationship among assets, liabilities, equity, and net worth.



Key Takeaway



Net worth is a good measure of your financial stability. Calculate your net worth by subtracting your liabilities (money you owe others) from your assets.

Assets, Liabilities, and Equity

An **asset** is something you own that has value.

A **liability** is something you owe others, usually money.

Equity is the value of an asset minus the liability related to that asset.

$$\text{Equity} = \text{Value of Asset} - \text{Related Liability}$$



Try It: Calculating Liability and Equity

Read the scenario and then answer the questions.

Scenario: Ezra's Car Purchase

Ezra needs a car to get to work and to school. He finds a used car at the dealership that's worth \$5,000. He has been saving \$25 a week for the past six months. He now has \$600 to use as a down payment.



What is the car's value?

**Ezra decides to take out a loan to buy the car.
How much money does he need to borrow?**

What is Ezra's liability for the car?

What is Ezra's equity in the car when he drives it off the lot?

Net Worth

Net worth is a measure of someone's financial wealth.

Net worth is your assets minus your liabilities.

Value of Net Worth	What It Means
Positive net worth	The value of your assets covers all of your liabilities, and there is still some left over. You have a cushion for financial emergencies.
Zero net worth	Your assets equal your liabilities. You do not have a financial cushion.
Negative net worth	Your liabilities are greater than your assets. You do not have a financial cushion and do not have enough assets to pay back your liabilities.

$$\text{Your Total Net Worth} = \text{Your Assets} - \text{Your Liabilities}$$



Try It: Calculating Net Worth

Read the scenario and then calculate Justine's net worth using the *Net Worth Calculation* table on page 14.

Scenario: Justine Calculates Her Net Worth

Justine bought her home seven years ago. The current value of her home is \$130,000, and she still owes \$100,000 on her mortgage. She has \$1,500 in a checking account and \$500 in a savings account, which she uses for emergencies.

She has a truck that she bought used a few years ago. She could sell it for \$2,000. She still owes \$3,000 on the loan for the truck.

She has one credit card with a balance of \$1,000 and has a student loan balance of \$15,000. She has a lot of furniture and heirlooms handed down from her grandmother, including some genuine antiques. Their value was recently estimated at \$7,000.



Try It: Calculating Net Worth *continued*

Justine's Net Worth Information

Assets

Item	Value
Cash	
Checking and savings accounts (current balance)	\$2,000
Matched savings account	
Savings bonds (current value)	
Stocks or mutual funds	
Certificates of deposit (CDs)	
Investment accounts (college savings plan, ABLE account, 401(k), IRA, other investments)	
Life insurance policy (cash value, if any)	
Car(s) or Truck(s) (trade-in or resale value)	\$2,000
Other vehicles (motorcycle, motor home, boat, etc.)	
Home she owns (use the market value)	\$130,000
Personal possessions (jewelry, antiques, electronics, furniture, appliances, other items she could sell)	\$7,000
Other:	
Other:	
Other:	
Total Assets (Add up the rows above)	\$141,000

Liabilities

Item	Amount
Credit card balances	\$1,000
Balance owed on store purchases (layaway or other store credit)	
Bills due for services (medical, dental, electrical, gas, phone, and other services)	
Mortgages (principal balance)	\$100,000
Vehicle loans (principal balance)	\$3,000
Student loans (principal balance)	\$15,000

Try It: Calculating Net Worth *continued*

Liabilities *continued*

Item	Amount
Other installment loans (principal balance)	
Home equity loan or line of credit (principal balance)	
Cash loans owed to friends, family, or employers (principal balance)	
Other:	
Other:	
Other:	
Total Liabilities (Add up the rows above)	\$119,000

Net Worth Calculation

Item	Value
Total Assets (from bottom row of the Assets table)	\$ Fill In:
Total Liabilities (from bottom row of the Liabilities table)	\$ Fill In:
Net Worth (Total Assets minus Total Liabilities)	\$ Calculate:

What did you learn from this activity?



Apply It: Calculating My Net Worth

Fill out the table below to calculate your net worth to the best of your ability. Just leave blank any rows that do not apply to you.

Here are some tips to help you find information on the value of your assets and liabilities:

Finding Information on Your Assets

Your records have information on your assets.

- Your statements from financial institutions will show your account balances for checking accounts and savings accounts.
- Your investment account statements will show the balances in your college savings plan, ABLE account, employer sponsored 401(k) retirement account, individual retirement account (IRA), or other kinds of investments.
- Your car title or car registration will show the make, model, and year of your car. Using that information, you can look up the trade-in or resale value through multiple sites on the internet.
- Public records or a recent appraisal can help you estimate the value of your house.

Finding Information on Your Liabilities

Your records have information on your liabilities. Use the most current balances—what you owe now. Look at:

- Credit card statements
- Loan statements for car loans, student loans, personal loans, mortgages
- Records of money borrowed from friends or family



Apply It: Calculating My Net Worth *continued*

My Assets

Item	Value
Cash	\$
Checking and savings accounts (current balance)	\$
Matched savings account	\$
Savings bonds (current value)	\$
Stocks or mutual funds	\$
Certificates of deposit (CDs)	\$
Investment accounts (college savings plan, ABLE account, 401(k), IRA, other investments)	\$
Life insurance policy (cash value, if any)	\$
Car(s) or Truck(s) (trade-in or resale value)	\$
Other vehicles (motorcycle, motor home, boat, etc.)	\$
Home I own (current Market value)	\$
Personal possessions (jewelry, antiques, electronics, furniture, appliances, other items I could sell)	\$
Other:	\$
Other:	\$
Other:	\$
My Total Assets (Add up the rows above)	\$

Apply It: Calculating My Net Worth *continued*

My Liabilities

Item	Amount
Credit card balances	\$
Balance owed on store purchases (layaway or other store credit)	\$
Bills due for services (medical, dental, electrical, gas, phone, and other services)	\$
Mortgages (principal balance)	\$
Car loans (principal balance)	\$
Student loans (principal balance)	\$
Other installment loans (principal balance)	\$
Home equity loan or line of credit (principal balance)	\$
Cash loans owed to friends, family, or employers (principal balance)	\$
Other:	\$
Other:	\$
Other:	\$
My Total Liabilities (Add up the rows above)	\$

Apply It: Calculating My Net Worth *continued*

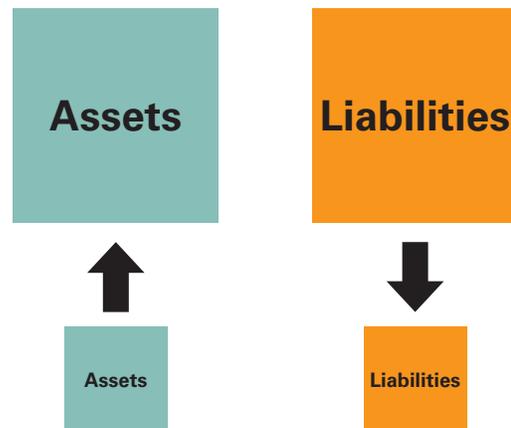
My Net Worth Calculation

Items	Value
My Total Assets (Bottom row of the My Assets table)	\$
My Total Liabilities (Bottom row of the My Liabilities table)	\$
My Net Worth (My Total Assets minus My Total Liabilities)	\$

Increasing Your Net Worth

You can increase your net worth by:

- Increasing your assets
- Decreasing your liabilities
- Doing both



What are some specific ways people can increase their net worth?

You can take notes from the discussion here.



Apply It: Increasing My Net Worth

Explore ways to change your net worth by answering these questions.

How can I increase my net worth?

Think about increasing assets, decreasing liabilities, or both.

How would these changes affect my financial future?



Remember the Key Takeaway

Net worth is a good measure of your financial stability. Calculate your net worth by subtracting your liabilities (money you owe others) from your assets.

Section 3: Cars as Assets

We will discuss how a car can be a productive asset and look at some key considerations when getting a car. This information applies to trucks, vans, and other vehicles as well.



Key Takeaway



A car can be a productive asset when it helps you get other assets. Plan ahead to get a car you can afford with as little debt as possible.

Cars Can Be Productive Assets

A car is a physical asset, but it can also be a productive asset if it can help you get other assets.

How can having a car help you get other assets?

You can take notes from the discussion here.

Does owning a car always make you better off financially?

You can take notes from the discussion.

Having safe and reliable transportation is an important part of financial security. It can be a key part of many people's asset-building strategy.

If the costs of buying and maintaining a car outweigh the benefits, you are not better off financially.

Cars **depreciate**. The amount you can sell them for goes down over time.





Try It: Should You Buy or Lease a Car?

Fill in the table with notes from the discussion.

Factors	Buying a Car with a Loan	Leasing a Car
Ownership potential		
Wear and tear		
Monthly payments		
Mileage limitations		
Auto insurance		
Cost		

How Much Car Can You Afford?

There's no precise formula for determining how much money you can afford to pay for a car. There are some guidelines and questions that can help you estimate affordability.

Look at your spending and saving plan. Do you have income available to pay for a car?

Remember, the monthly car loan payment will not be your only expense related to purchasing a car.

Visit www.consumerfinance.gov and search for "afford car."

Tips for Getting a Car Loan

If you have determined that you need a car loan, here are some tips:



- Review your credit reports well before you purchase a car. You can access your free credit reports at www.annualcreditreport.com or by calling 1-877-322-8228.
- Get pre-approved for a loan from at least one financial institution before you visit a dealership.
- Shop around.
- Keep good records of your loan quotes.
- Leave the car at the dealership until your loan terms are finalized.

If you have a problem with your lender or its debt collection practices that you can't fix on your own, help is available. Consider filing a complaint at www.consumerfinance.gov.



Remember the Key Takeaway

A car can be a productive asset when it helps you get other assets. Plan ahead to get a car you can afford with as little debt as possible.

Section 4: Training and Education as Assets

We will discuss how training and education can be productive assets. We will also explore some key considerations for getting and paying for training and education.



Key Takeaway



Training and education can be productive assets when they give you a strong chance of securing a better career or a higher paying job. Plan ahead to pay for them with as little debt as possible.

Training and Education Can Be Productive Assets

If training or education will lead to a better career or higher paying job, it is a productive asset – an asset that helps you get other assets.

What are some types of educational experiences and educational institutions that could help you get a new job or career?

Pursuing Education and Training

As with other assets, training or education may require the investment of resources, such as time and money.

Take time to make informed choices. Training or education may or may not be a smart investment.



Apply It: My Key Considerations in Paying for Training or Education

If you're thinking about pursuing training or education, ask yourself the following questions. These questions are just a start. Consider contacting a trusted organization in your community for additional help weighing the costs and potential benefits.

What is the future earnings potential, job security, and market demand of the career or job I am planning to pursue?

How much does the school or training cost? Will I be able to pay my bills and keep a positive cash flow?

What is my timeline for completing the school program or training?

Apply It: My Key Considerations in Paying for Training or Education *continued*

Will my employer pay for some or all of the cost and what will my employer require in return? Do I expect to receive grants or scholarships?

[If applicable] When will I have to start repaying loan(s)? How long will I have to repay them?

[If applicable] What will be the minimum monthly payment for my loan(s)?

What are my job prospects immediately after I graduate? What is the starting salary? How often do graduates from this school get this type of job (job placement rate)?

How will my long-term net worth be affected?

Given the above answers, is pursuing this path likely a good investment for me?

Yes No I'm not sure. I need to give this more thought.

Ways to Pay

You have several options for paying for training or education.

- Ask for help from friends and family
- Save money now or use saved money
- Work while attending school
- Apply for scholarships and grants
- Ask your employer to cover some or all of the cost
- Borrow money using student loans
- Combination of above

Scholarships and Grants

Scholarships Most are monetary awards that are merit-based. They are awarded to students with certain qualities, such as proven academic or athletic ability. Scholarships are usually competitive and most have rules you must follow to qualify or continue receiving the funds.

Grants Most are need-based. They are usually awarded based on your or your family's financial situation. Some are also competitive.

Saving Money for Training or Education

Some people choose to save money for education. There are special savings accounts and programs to help you save money for education.

529 Plans: These plans are designed to help families save money for future education expenses.

ABLE Accounts (529A Plans): These are tax-advantaged savings accounts for individuals of any age with significant disabilities that began before their 26th birthday. Funds from an ABLE account can be used for qualified disability expenses, one of which is education.

Student Loans

There are generally two major categories of student loans:

Federal student loans: These loans are funded by the federal government. They usually have lower interest rates and offer more flexible repayment terms and options than private loans. Generally, repayment of a federal student loan does not begin until after the student leaves school.

Private student loans: These loans are nonfederal loans offered by a lender such as a bank, credit union, state agency, or a school. We will not be discussing private student loans.

You do not have to borrow the maximum amount of money you are offered. Borrow only the money you need for expenses while completing the educational program.

Try not to accumulate more student loan debt than you expect to earn as a starting annual salary after leaving school. That is what the Bureau of Consumer Financial Protection recommends.

Free Application for Federal Student Aid (FAFSA)

To be considered for federal student loans, federal work study programs, or grants, you must complete the **Free Application for Federal Student Aid (FAFSA)**, at www.fafsa.gov or on the FAFSA mobile app.

Follow these tips:

- Check deadlines carefully
- Collect the information you'll need ahead of time
- Double-check your Student Aid Report to ensure all information is correct
- Respond immediately to all legitimate requests for additional information

Paying Back Student Loans

It is important to pay back your student loans on time. Federal student loans are not automatically discharged due to bankruptcy.

If you are having difficulty paying back your student loans, contact the loan servicer right away. There may be repayment options you can pursue.

For more information on federal student loans, visit www.studentaid.gov. That website also has information and interactive tools about repayment options.



Remember the Key Takeaway

Training and education can be productive assets when they give you a strong chance of securing a better career or a higher paying job. Plan ahead to pay for them with as little debt as possible.

Module Closing

★ Remember the Key Takeaways

Section	Key Takeaway
1: Assets and Asset-Building	Assets can lead to wealth and financial security.
2: How Assets Create a Financial Foundation	Net worth is a good measure of your financial stability. Calculate your net worth by subtracting your liabilities (money you owe others) from your assets.
3: Cars as Assets	A car can be a productive asset when it helps you get other assets. Plan ahead to get a car you can afford with as little debt as possible.
4: Training and Education as Assets	Training and education can be productive assets when they give you a strong chance of securing a better career or a higher paying job. Plan ahead to pay for them with as little debt as possible.

Take Action

You are more likely to take action if you commit to **taking action now**. One way to commit is to think about what you plan to do because of what you learned today. Then write it down.

What will I do?

How will I do it?**Will I share my plans with anyone? If so, who?****Where to Get More Information or Help**

The Federal Trade Commission has a variety of tips on buying or leasing a car and on choosing a vocational school. Visit www.consumer.ftc.gov/topics/buying-owning-car and www.consumer.ftc.gov/articles/0241-choosing-vocational-school.

For a helpful worksheet and guidance on getting a car loan, visit www.consumerfinance.gov and search for “getting an auto loan.” For information on paying for college, visit the same website and search for “paying for college.”

Visit www.bls.gov/ooh/ to review the Occupational Outlook Handbook.

If you have a question about a banking product, ask a customer service representative at the financial institution for help.

If you have a concern, explain to the customer service representative what happened and what you would like them to do to correct the situation. If that does not help, consider contacting the federal regulator for that financial institution.

To find out who regulates the financial institution, call the FDIC toll-free at 1-877-ASK-FDIC (1-877-275-3342) or visit www.fdic.gov/consumers/assistance/filecomplaint.html.

Pre-Training Survey

Your instructor may ask you to complete this pre-training survey before the training begins.

Please answer these questions:

- | | | |
|---|------|-------|
| 1. Being financially secure is only possible if you have a high income. | True | False |
| 2. Buying a car is always a bad financial choice because it means taking on debt. | True | False |
| 3. Earning a four-year college degree is a guaranteed way to increase your net worth. | True | False |
| 4. You can find your net worth by: | | |
| a. Adding up the value of everything you own | | |
| b. Subtracting the sum of your liabilities from the sum of your assets | | |
| c. Adding up all of your equity | | |
| d. Both b and c | | |

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Post-Training Survey

Your instructor may ask you to complete this post-training survey after the training ends.

Please answer these questions:

- | | | |
|---|------|-------|
| 1. Being financially secure is only possible if you have a high income. | True | False |
| 2. Buying a car is always a bad financial choice because it means taking on debt. | True | False |
| 3. Earning a four-year college degree is a guaranteed way to increase your net worth. | True | False |
| 4. You can find your net worth by: | | |
| a. Adding up the value of everything you own | | |
| b. Subtracting the sum of your liabilities from the sum of your assets | | |
| c. Adding up all of your equity | | |
| d. Both b and c | | |

About the Training

Check the box that best describes your agreement or disagreement with each of these statements.

	Completely agree	Somewhat agree	Somewhat disagree	Completely disagree
5. I would recommend this training to others.				
6. I plan to apply what was discussed in this training to my life.				
7. The instructor used engaging training activities that kept me interested.				
8. The instructor was knowledgeable and well prepared.				
9. The Participant Guide is clear and helpful.				

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Visit the FDIC's website at www.fdic.gov/education for more information and resources on banking-related issues. For example, FDIC Consumer News provides practical hints and guidance on how to become a smarter, safer user of financial services. Also, the FDIC's Consumer Response Center is responsible for:

- Investigating all types of consumer complaints about FDIC-supervised institutions
- Responding to consumer inquiries about consumer laws and regulations and banking practices

**You can also call the FDIC for information and assistance at
877-ASK-FDIC (877-275-3342).**



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