Smart About Spending

Student Workbook

DEPARTMENT OF
HIGHER EDUCATION &
WORKFORCE DEVELOPMENT

Smart decisions start with smart resources

Let's face it, managing a budget might not seem like a tough assignment now, but you should start thinking about your future plans and how they may impact your buying power. If you are interested in attending college, tuition, fees, housing, and books can take a huge bite out of your bank account. Looking to keep some cash in your pocket? Check out the following resources for important tips and recommendations.

Free publications

It's Never Too Early — Information about preparing for higher education and the benefits of earning a college certificate or degree.

The Missouri Source — A comprehensive guide for students in search of federal and state grants,scholarships, loans, and assistance with filling out the Free Application for Federal Student Aid (FAFSA).

Journey to College Senior Year Checklist — A 10" by 4" magnet for high school seniors, featuring a monthly calendar of tasks for applying to and preparing for college.

Planning for Financial Success — A booklet for high school seniors and college students that provides financial literacy and money management tips.

To request these free resources complete and submit the publication order form at *dhewd.mo.gov/publications.php*.

Online tools

Journey to College Monthly Reminder —A monthly email provides helpful hints about planning and preparing for college. To subscribe to the Monthly Reminder, visit *journeytocollege.mo.gov/connect/monthly-reminder/*.

Missouri Student Financial Aid Portal — High school seniors and college students can set up a free account and utilize the portal to:

- Estimate financial aid eligibility
- Submit online state aid applications
- See award amounts and disbursements
- Access state financial aid information
- Connect seamlessly to the Missouri Student Workspace

Access the Portal and Workspace from the *journeytocollege.mo.gov* homepage.

For additional information on the resources listed, contact the Missouri Department of Higher Education & Workforce Development or talk to your school counselor.

Journey to College

Journey to College provides a variety of information geared toward future college students. Receive updates about federal and state financial aid deadlines, scholarship opportunities, and money management tips by following Journey to College on social media:

facebook.com/journeytocollege

instagram.com/journey2college

twitter.com/Journey2College

Three Journey to College programs focus on helping students prepare for college:

- **Apply Missouri** - helps students find the "best fit" for higher education and provides time during the school day for seniors to submit college applications.
- **FAFSA Frenzy** - provides free professional assistance to help students and their families submit the Free Application for Federal Student Aid.
- **Decision Day** - encourages seniors to finalize their plans for the future and celebrates their decision to attend college or enter the military.

Terms you should know

401(k) plan: An employer-based plan whereby employees set aside money for retirement that is sometimes matched by employers.

Annual fee: The annual membership fee to have a credit card.

Annual percentage rate (APR): The cost of credit for one year expressed as a percentage.

Annuity: A contract or agreement whereby money is set aside for a specified period of time, at the end of which you begin receiving payments at regular intervals.

Appreciation: An increase in the basic value of an investment.

Automatic deductions: Authorized withdrawals from your checking account (e.g., insurance premiums, transfers to savings, or other payments).

Balance: To reconcile the sums of debits and credits in an account.

Bank: A financial institution that accumulates deposits and channels money into lending activities.

Bank statement: The record of debits, credits and all other activity on an account.

Bankruptcy: Legally insolvent; not capable of paying bills.

Bear market: A market characterized by generally falling prices over a period of several months or years.

Benefits: Sick pay, vacation time and other company-provided supplements to income.

Blue chip: Common stock of a company known nationally for the quality of its products and profitability.

Bond: Certificate representing a loan of money to a corporation or government for a specific period in exchange for a promise to repay bondholders the amount borrowed plus interest.

Broker: A representative who handles transactions related to investors' orders to buy and sell securities.

Budget: An organized plan that matches your expected income to your expected expenses.

Bull market: A market characterized by generally rising prices over a period of several months or years.

Business failure risk: The risk that a business will fail and the investment will be worthless, or that a business will be less profitable than expected.

Capital: The wealth of a business or an individual in terms of money or property.

Capital gain: The profit realized when a security is sold for more than the purchase price.

Capital loss: The decrease or expense realized when a security is sold for less than the purchase price.

Certificate of Deposit (CD): a type of federally insured savings account that has a fixed interest rate and fixed date of withdrawal, known as the maturity date.

Certified financial planner (CFP): An individual who has completed the educational requirements of the International Board of Certified Financial Planners (IBCFP), which covers all facets of financial planning, from taxes to investments.

Collateral: Savings, bonds, insurance policies, jewelry, property or other items that are pledged to pay off a loan or other debt if payments are not made according to the contract; also called security.

Commission: A broker's or an adviser's fee charged for buying or selling securities for an investor.

Commodity: An article of commerce or a product that can be used in commerce, such as agricultural products, metals, petroleum, foreign currencies, financial instruments and indexes.

Terms you should know

Commodity Futures Trading Commission (CFTC): The federal regulatory agency that monitors the futures and options market.

Common stock: The most basic form of corporation ownership. Owners of common stock have a claim on the assets of a company after those of preferred stockholders and bondholders.

Compound interest: Interest earned on interest that is added to the principal.

Consumer Financial Protection Bureau (CFPB): The central mission of the CFPB is to make markets for consumer financial products and services work better for Americans, including applying for a mortgage, choosing a credit card and more.

Convertible bond: A bond that an owner can exchange for stock before maturity.

Co-signer: Someone who signs a loan with the borrower and promises to assume the responsibility of repaying the debt in the event that the borrower does not repay it.

Coupon rate: Fixed annual interest rate quoted when a bond is issued.

Credit limit: The maximum amount of money you are authorized to borrow.

Credit report: : A record of an individual's personal credit history; issued by a credit reporting agency.

Credit reporting agency: A for-profit company that accumulates, stores and distributes credit information (i.e., Equifax, Experian, TransUnion).

Depreciation: Loss in value of a consumer good during its lifetime; often associated with appliances and vehicles.

Discount: Sale of a bond at a price less than face value.

Diversification: Spreading investment funds among different types of investments and industries.

Dividend: Payment received by stockholders from the earnings of a corporation.

Dollar cost averaging: Investing the same fixed-dollar amount in the same investment at regular intervals over a long period of time.

Dow Jones industrial average: Price-weighted average of 30 actively traded stocks.

Exchanges: Marketplaces for transactions such as the New York Stock Exchange, the American Stock Exchange and the Chicago Board of Trade.

Face value: The amount a bond is worth when it matures.

Federal Deposit Insurance Corporation (FDIC): An agency of the federal government created to guarantee bank deposits.

Fee: 1) Extra charges by credit card companies for exceeding your credit limit, paying late, use of the card, etc.; 2) A charge for professional services.

Financial Industry Regulatory Authority (FINRA): The securities industry's largest self-regulatory organization.

Financial planner: Person who advises others about financial issues.

Fixed expenses: Costs that remain constant.

Fixed interest rate: An interest rate that does not change.

Full-service brokers: People who buy and sell securities or commodities to investors and offer information and advice.

Futures contract: A legal commitment to buy or sell a commodity at a specific future date and price.

Terms you should know

Grace period: 1) The amount of time you have to pay your credit card balance or loan without paying interest; 2) A six-month period of time after you graduate or drop below half time that you are not required to make student loan payments.

Gross income: All taxable income received, including wages, tips, salaries, interest, dividends, unemployment compensation, alimony and others.

Hedging: The process of protecting an investment against price increases.

Income: Money that comes in from property, business, work and gifts.

Individual Retirement Account (IRA): A tax-deferred savings account.

Inflation: A general rise in prices of goods and services; this reduces the purchasing power of money.

Inflation risk: The risk that the financial return on an investment will lose purchasing power due to a general rise in prices of goods and services.

Insider trading: The illegal use of investment information not generally known to the public.

Interest: 1) Fee for borrowing money; 2) Funds received by placing your money in a savings account, money market, CD, etc.

Interest rate risk: The risk that the value of a long-term, fixed return investment will decrease due to a rise in interest rates.

Junk bonds: High-risk bonds that are issued by corporations of little financial strength. Interest rate is high, but default rate is also high.

Line of credit: A pre-established amount that can be borrowed on demand.

Liquidity: The ease with which an investment can be converted into cash.

Load fund: A mutual fund purchased directly by the public that charges a sales commission when bought.

Loan: Borrowed money that must be repaid with interest.

Margin: A brokerage account allowing customers to buy securities with money borrowed from the broker.

Market price: The price the seller will accept and the buyer will pay.

Market risk: The risk that the price of stocks, real estate, or other investments will go down due to business cycles or other causes.

Mutual fund: A company that invests the pooled money of its shareholders in various types of investments.

National Association of Securities Dealers Automated Quotations (NASDAQ): The world's largest screen-based stock market built totally out of telecommunications networks and computers.

Needs: The things necessary for survival — typically food, clothing and shelter.

No-load fund: A mutual fund purchased directly by the public; does not have a charge for buying.

North American Securities Administrators Association (NASAA): An organization of securities administrators charged with enforcing securities laws and protecting investors from fraudulent investments.

Opportunity cost: What you give up in order to obtain something. Each time you choose to expend a resource on something, you give up the opportunity to expend that same resource on something else.

Option: The right to buy or sell property that is granted in exchange for an agreed upon sum. If the right is not exercised after a specified period, the option expires and the option buyer forfeits the money.

Ponzi scheme: An illegal investment scam named for its inventor, Charles Ponzi, who became notorious for using the technique in the 1920s.

Terms you should know

Portfolio: The total investments held by an individual.

Preferred stock: Ownership in a corporation that has a claim on assets and earnings of a company before those of common stockholders, but after bondholders.

Prospectus: A document describing an investment offered for sale.

Pyramid scheme: Fraudulent scheme where an investor buys the right to be a sales representative for a product. Those in the scheme early may profit; those joining late will lose.

Rate of return: A combination of yield (dividends or interest) and appreciation.

Redemption fee: A charge levied by the mutual fund when shares are sold.

Return: The total income from an investment; includes income plus capital gains or minus capital losses.

Risk: In an investment, the uncertainty that you will get an expected return.

Risk tolerance: A person's capacity to endure market price swings in an investment.

Rule of 72: A mathematical tool used to determine the length of time needed to double an investment at a given interest rate. The formula is as follows: Divide the number 72 by the interest rate.

Securities: A broad range of investment instruments, including stocks, bonds and mutual funds.

Securities and Exchange Commission (SEC): A federal agency established to license brokerage firms and regulate the securities industry.

Security Investors Protection Corporation (SIPC): A nonprofit corporation created by Congress. Insures investors in SIPC-insured firms from financial loss due to financial failure of the brokerage firm. Insures up to $500,000 per customer.

Stock: An investment that represents ownership in a company, also known as a share.

Stock split: Increase in a corporation's number of outstanding shares of stock without any change in the shareholders' equity or the aggregate market value at the time of the split. In a split, the share price declines.

Tax-exempt investments: Investments that are not subject to tax on income earned (e.g., municipal bonds sold by state and local governments).

Time value of money: Increase in an amount of money over time as a result of investment earnings.

Wants: The things you desire over and above the things you need.

Warrant: A type of security, usually issued together with a bond or preferred stock. The warrant entitles the holder to buy a proportionate amount of common stock at a specific price.

Yield to maturity: The total annual rate of return on a bond when it is held to maturity.

Zero coupon bonds: Bonds issued for less than face value; they pay no interest income. Return to the investor occurs when the bond is sold or redeemed; also called deep discount bonds.

1

Financial Decision Making

Choice is the central principle of financial decision making for individuals, businesses, and government. People make many choices every day in markets where buyers and sellers interact. This interaction determines market prices and allocates scarce goods and services based on supply and demand. Every decision incurs an opportunity cost. Opportunity cost is the next-best alternative when a decision is made; it is what is given up.

Concept 1: Unlimited Wants and Limited Resources

A. Evaluate the role of choice in decision making.
B. Apply a rational decision making process to satisfy wants.

Concept 2: Choice and Decision Making

A. Explain how today's choices have future consequences.
B. Explain the causal relationship between choice and opportunity cost.
C. Analyze how choices can result in unintended consequences.

1 Financial Decision Making

Evaluate the role of choice in decision making.
Apply a rational decision making process to satisfy wants.

There are consequences for all the choices we make. This is especially true for the choices we make concerning our finances.

Create a financial plan you can use. Sure, sticking to a budget is not always easy. But it is the best way to put yourself in the driver's seat when it comes to making sure your money goes toward expenses that matter most to you. Decisions you make today can affect how much money you have tomorrow.

You don't want to spend all your money on things you want and find out you don't have enough left to cover your needs.

Explain how today's choices have future consequences.
Explain the causal relationship between choice and opportunity cost.
Analyze how choices can result in unintended consequences.

The economics term opportunity cost means that each time a resource is used, that same resource is no longer available for something else. For instance, if you have a summer job, you can choose to spend the money you make having fun all summer, or you can choose to spend a small amount and put the rest in a savings account, money market, or mutual fund. The opportunity cost of choosing to spend the money on a good time may result in not having enough money in your savings account to fall back on during your first semester of college. Therefore, each time you face an opportunity to spend money, consider what you may have to give up tomorrow, next week, or next month if you no longer have that money available.

The opportunity cost of choosing to save most of your money may mean that you cannot afford to take a road trip with friends, but you will have a significant amount in your savings account to use as needed when funds from your family have run dry, or if an unexpected emergency arises.

Financial Decision Making

WORKSHEET
1.1.1

Name:_____ **Date:** _____

DIRECTIONS: Read the beginning scenario carefully, and consider your income and available savings compared to your "wants" and "needs." Follow the situations below to make spending choices.

Beginning Scenario #1 – It is the beginning of your senior year in high school.

- You are working part time and earning $8.60 an hour with take-home pay of about $120 each pay period. You receive your paycheck every two weeks on Wednesdays.
- You currently have $550 in a bank account, some of which has come from your job earnings and some of which has been given to you by parents, grandparents, etc.
- You have a used car given to you by your parents, but you are responsible for paying your auto insurance premium, which is $65 a month, plus the cost of gas.
- Your car gets about 20 miles to the gallon, and gas is currently $3.25 a gallon. You typically drive at least 60 miles a week, which requires about three gallons of gas for a total of $10 a week.

Situations

Situation 1 (Sunday)

Most of your friends have the newest smartphone, something you have been unable to afford. If you use the money you have saved in your bank account, you could purchase the phone now. But you also have your car insurance premium due in one week, and you need gas for your car, which is on empty. Additionally, some of your friends are planning a party for an upcoming weekend and, if you attend, you will be expected to contribute. You will also need to pay for two gallons of gas ($6.50) to drive there and back. Further, you would like to have a few new clothing items to look your best at the party.

Choices for Situation 1

1. You have been working hard and spending very little for a month or more. You decide now is the time to splurge, and you go out today and buy the newest smartphone ($470). Go to Situation 2.A.
2. You decide to put off buying the phone today. Although you are itching to have the newest smartphone, you decide to be responsible and NOT give in to the urge to spend this money. Instead, you spend your Sunday afternoon finishing homework you have due on Monday. Go to Situation 2.B.
3. You decide to put off purchasing the newest smartphone because you KNOW you want to go to the party next weekend. You spend your Sunday afternoon shopping for a few new clothes. Go to Situation 2.C.

Situation 2.A (Sunday)

Now your remaining balance is $80. Your next paycheck is not coming until the Wednesday after next (approximately 10 days from now). You need to put at least $10 of gas in your car, and your $65 car insurance payment is due four days from now, on Thursday.

Choices for Situation 2.A

1. You head to the gas station and spend $10 on gas. You also make your $65 car insurance payment. You know you cannot skip the insurance payment because it is the law to have insurance. Go to Situation 3.C.
2. You decide to skip your $65 car insurance payment and pay it a week late when you receive your next paycheck. You head to the gas station and spend $25 on gas, which will last until next Wednesday's payday. However, you also decide not to go shopping because you do not have enough to buy the clothes you really want. Go to Situation 3.A.

Situations continued

Situation 2.B

By resisting the urge to spend your money and making a wise financial choice, you still have $550 in your bank account. You put $10 in your gas tank and make your $65 car insurance payment, leaving you with $475 in your account. Your next paycheck is coming in about a week and a half and should be about $120.

Choices for Situation 2.B

1. You decide you are definitely going to the upcoming party. So you go to the grocery store and spend about $10 on food and beverages to contribute to the party. You also decide to go clothes shopping, and you spend $125 to make sure you will look your best at the party. Go to Situation 3.B.
2. You work so hard for your money that you hate to let go of too much of it at one time. Although you are definitely going to the party, you decide to make do with the clothes you already have in your closet. Your last expenditure at this time will be spending $10 at the grocery store for food and beverages for the party. Go to Situation 3.E.

Situation 2.C

During your shopping trip, you spent $150 on new clothes. Now you will feel confident about how you look when you go to the party. The remaining balance in your bank account is now $400, and you still have about 10 days until you receive your next $120 paycheck from work. You still need to put gas in your tank — including a little extra than normal so you can drive to the party next weekend — and you also still need to pay your monthly insurance premium.

Choices for Situation 2.C

1. You decide to put $20 in your gas tank, which should be plenty to get you through until you receive next Wednesday's paycheck. Because this decreases your balance in your bank account to $380, you decide to pay your car insurance premium a little late. Go to Situation 3.F.
2. You decide to be responsible and pay your car insurance premium because you do not want to risk losing your coverage or incurring a late fee. Go to Situation 3.D.

Situation 3.A

By spending $25 on gas and skipping the shopping trip for new clothes, your bank balance is now only $55. You decided to pay your car insurance payment of $65 late, upon receipt of your next paycheck the Wednesday after next (approximately 10 days from now). You do have enough gas to go to work, school and the party. However, if you go to the party, that will mean another expenditure to buy food and beverages to contribute.

Choices for situation 3.A

1. You decide to go to the party, and so you spend $10 at the grocery store. Go to Conclusion 4.C.
2. Although you really want to go to the party, you realize that you have already made some risky spending choices. You are also not able to buy any new clothes. You worry about your car insurance payment and wonder if you could get into legal trouble as a result. Thus, you decide NOT to go to the party. Go to Conclusion 4.E.

Situation 3.B

You have now spent $65 on car insurance, $10 on gas, $10 on groceries and $125 on new clothes. Your bank account balance is now down to $340. Go to Conclusion 4.A.

Situation 3.C

You now only have $5 left in your bank account. Although you have enough gas for the week and your car insurance has been paid, you are concerned about the gas you will need for next Monday and Tuesday because you will not receive your next $120 paycheck until next Wednesday. Go to Conclusion 4.B.

Situation 3.D

Your bank account balance is now $335. All of your immediate bills are paid. Plus, you have some nice new clothes. Go to Conclusion 4.D.

Situations continued

Situation 3.E

By resisting the urge to spend your money on an expensive electronics item and by paying your car insurance and purchasing gas, you have put aside your "wants" and focused on your "needs." Spending $10 at the grocery store leaves you with $465 in your account. Your next paycheck is coming in about a week and a half, which should be about $120. You are sticking by your decision to not spend any more of your hard-earned money. Go to Conclusion 4.G.

Situation 3.F

You still have $380 in your bank account, but you have not paid your insurance premium. Go to Conclusion 4.F.

Conclusions

Conclusion 4.A

You feel pretty good about keeping your bank balance at $340 and not spending too much, but you also still yearn for the newest smartphone. You feel like a wise financial manager because you paid your car insurance premium and bought gas, both of which are needs. How much did you spend on "wants"? Do you think these were wise choices? What if your car breaks down next week? Do you think you will have enough money to pay for repairs? What other situations might come up in the next few weeks that would ultimately make you regret spending some of your money on "wants"?

Conclusion 4.B

You now own the newest smartphone, have paid your monthly car insurance premium, and have $10 in your gas tank (about three gallons). BUT you only have $5 left in your account. By buying the newest smartphone, what did you give up? What was the opportunity cost of this spending choice? Will you be able to go to next weekend's party? How will you get to school and work next Monday and Tuesday? What else have you given up by almost depleting your bank account?

Conclusion 4.C

You now own the newest smartphone and have $25 in your gas tank (about eight gallons). After spending $10 at the grocery store to contribute to the party, you only have $45 left in your account. By purchasing the newest smartphone and choosing to NOT pay your car insurance, what risks exist for you now? What was the opportunity cost of the spending choices you made? When your next payday comes and you pay your car insurance premium, how much money will you have left? Will you then be able to pay all your expenses until your next payday (approximately 10 days from now)?

Conclusion 4.D

Your bank account balance is now $335. All of your immediate bills are paid, you have gas in your car, and you have some nice new clothes. Are you satisfied with your choices? Do you feel good about having $335 in your bank account, or do you wish it was more?

Conclusions continued

Conclusion 4.E

You now own the newest smartphone and have $25 in your gas tank (about eight gallons). By choosing to not attend the party, you now have enough gas to last you for the next two and a half weeks — which will help alleviate the strain on your budget/spending plan until your next payday. You also still have $55 left in your bank account. Therefore, on your next payday you will have $55 in your account, plus your $120 paycheck. After paying your car insurance premium (late), you will have $110 left and will not need to buy gas. By buying the newest smartphone, and choosing to NOT pay your car insurance, and choosing to not go to the party, are you satisfied with your financial decisions? What was the opportunity cost of spending $470 on the newest smartphone and $25 on gas? Are you satisfied with your ending financial situation?

Conclusion 4.F

Your bank account balance is now $380, and you are glad you did not deplete all your money. Are you concerned about paying your car insurance premium late? What are the chances your coverage might be canceled or you might be charged a late fee? What if you get in a car accident next week?

Conclusion 4.G

Your bank account balance is in excellent shape at $465. When you deposit your next paycheck, it will be above $500. You would like to keep building your balance as much as possible so that you have plenty of emergency money if you ever need it, especially next year when you go off to college. However, it WAS really hard to resist the urge to buy the new phone, and you still want it. How do you feel about your financial choices today? How do you think you will feel when you deposit your next paycheck? Is it satisfying to know that you will have the most money possible when you go to college and are living on your own?

Financial Decision Making

WORKSHEET
1.1.2

Name:_____ **Date:** _____

DIRECTIONS: Read the beginning scenario carefully, and consider the consequences of your choices related to the opportunity cost. Follow the situations below to make your decisions.

Beginning Scenario #2 — This is your second semester at State University.

- Your tuition is $275 a credit hour. Luckily, your parents have agreed to pay half of your bill and you have received some financial aid through a grant ($2,000 annually) and an institutional scholarship ($1,000 annually). You still had to take out a student loan.
- Your first semester did not go well, and you dropped two classes late in the semester to save your GPA, but you ended up paying for these classes even though you did not complete them.
- You work 25 hours per week at the local grocery store.
- You have enrolled full-time again this semester. You find yourself in the same predicament. You fear you are failing two classes; you do not have enough time to study because of your job; and you feel disconnected even though you live on campus.

Situations

Situation 1

You have one day left to drop classes before the drop deadline. You have to make a choice because you do not want to again pay for classes for which you will not receive credit.

Choices for Situation 1

1. You decide not to drop classes so that you will have enough hours to be considered a sophomore next year, even though your GPA will suffer because of the two classes in which you are currently failing. You feel certain if you work hard you can at least pass the classes. You really want to graduate in four years. Go to Situation 2.A.
2. You decide to go ahead and drop the two classes to keep your GPA from falling further. You decide to attend summer school and will work extra hours this semester to pay for the extra cost. Go to Situation 2.B.
3. You decide to drop the two classes to maintain your GPA. You will use the summer to work and regain your focus. You have come to terms with the fact that it will take you more than four years to complete your degree. Go to Situation 2.C.

Situation 2.A

You are now a sophomore, but you have temporarily lost your institutional scholarship because your GPA fell below 3.0. Now you will have to borrow more loans; however, you are still on track to graduate in four years. You know it will cost more if you do not finish in four years, but a lower GPA also cost you some money.

Choices for Situation 2.A

1. You decide to retake those classes to pull your GPA up again. This will put you six credits behind in your goal to finish in four years. You decide to make up these six hours by taking two classes this summer. Go to Conclusion 3.A.
2. You decide to accept the grades you got in those classes and are determined to do better in the future. You again enroll in a full load of classes. Go to Conclusion 3.B.

Situations continued

Situation 2.B

You are now a sophomore. You managed to raise your GPA by doing well in the classes you took during summer which might help you get your scholarship back. Your scholarship was temporarily lost due to less than full-time enrollment. You must decide whether to take a full load of classes (12–15 hours) or just attend part-time.

Choices for Situation 2.B

1. Taking 15 hours will help you stay on track to graduate in four years; however, that was a big challenge for you. You decide to try taking 12 hours a semester and see if that helps. That should only add one extra year before you graduate. You decide it is worth the extra year to be able to keep your GPA up and maintain your scholarship. Go to Conclusion 3.C.
2. You have considered all your options, and at this time, you decide you will stop attending altogether. You feel this will allow you to work full-time, save some money and perhaps not work during the school year. Even though you brought your grades up, you are no longer certain which major you want to pursue. Taking a year off will not only give you time to save some money, but will give you time to decide what career you are interested in. Go to Conclusion 3.D.

Situation 2.C

You are starting your second year, but have not accumulated enough hours to be considered a sophomore. You kept your GPA from slipping further, but because you dropped the two classes, you are temporarily no longer eligible to receive the institutional scholarship. You have talked to your boss about cutting back on your hours during the school year. You managed to save an extra $1,000 this summer so you feel your budget can handle you working fewer hours.

Choices for Situation 2.C

1. Rather than stress yourself out, you decide to decrease your course load and only take 9 hours. Your tuition for this semester will now be $2,475 and because you dropped to less than full-time, you will not be able to stay on campus. So without room and board your total cost this year with your books and fees will be about $3,600. Mom and dad will not be charging you to live at home. Go to Conclusion 3.E.
2. You are refocused and now feel ready to take a full course load. Hopefully, you will be able to earn back your scholarship after this semester. In the meantime, the $1,000 you saved this summer will help make up for the lost scholarship funds. You feel confident you can be successful this semester since you will be working fewer hours. Go to Conclusion 3.F.

Conclusions

Conclusion 3.A

Re-taking the classes will mean you are paying for the same classes twice. That would be $3,300 for two classes! Still, you decide it is worth it. You talk to your advisor about your course load and work schedule. Your advisor suggests that you can lighten your course load during the regular semesters by taking classes each summer, and you can still graduate in four years. You decide this will be the best scenario for you. Graduating in four years is the most economical and you are anxious to begin your career.

Conclusion 3.B

You realize you have your work cut out for you. You meet with your advisor to find out if tutoring services are available. You also talk to your boss and request to work fewer hours during the school year and more during the summer. Your plan is to save more to help pay your educational expenses and take out fewer loans. This plan allows you to meet your goal of graduating in four years and by using your savings from working in the summer, you are able to graduate with less student loan debt.

Conclusion 3.C

You were successful academically and graduated only one year behind schedule. You were able to maintain your scholarship, but it was only available for four years. The last year, you had to make up the difference out of pocket. This means, you depleted your savings account and will have to live with your parents at least one more year.

Conclusion 3.D

The unfortunate thing about taking a year off was that your student loans went into repayment. After six months you had to start making payments on an education that was not completed. Still you were diligent about saving and after this year you re-enrolled in classes. You realized that your education is an investment in both time and money. To make the salary to support the lifestyle you want, you must complete your education.

Conclusion 3.E

Making the decision to take a lighter course load and cut your hours at work has allowed you time to study, participate in campus activities and have a successful year. You meet with your advisor and devise a plan for you to graduate in six years. These two extra years may cost more than finishing in four years, but at least you are not paying for classes that you have to retake.

Conclusion 3.F

Cutting your hours has resulted in a tight budget. Even though your course load is lighter, the semester does not seem to be going any better. You have been put on probation and your parents have told you until you have a successful semester; they will no longer be footing the bill. You decide you would rather make some money than continue to struggle in school. The problem is that you have taken out student loans and as soon as you drop out, you will go into repayment and have to start making student loan payments after six months.

Financial Decision Making

WORKSHEET
1.1.3

Name:_____ **Date:** _____

DIRECTIONS: After reading the scenarios on Worksheets 1.1.1 and 1.1.2, working through the situations and ending on a conclusion, answer the following questions:

Scenario #1

1. Of the choices you made in Scenario #1, which ones were choices to satisfy your "needs"? Which choices did you make based on your "wants"? _____
_____
_____
_____
_____
_____
_____

Scenario #2

2. Describe the opportunity cost for each decision you made in Scenario #2. _____
_____
_____
_____
_____
_____
_____

Scenarios #1 and #2

3. For both scenarios, if you had known the full impact of your decisions when you started would you have made the same choices? Explain. _____
_____
_____
_____
_____
_____
_____

2

Earning Income

For most people, income is determined by their work ethic, their education and the market value of their labor paid as wages and salaries. People can increase their income and job opportunities by performing well and choosing to acquire more education, skill building, and work experience. The decision to undertake an activity that increases income or job opportunities is affected by the expected benefits and costs of such an activity. Income is also obtained from other sources such as interest, rents, capital gains, dividends and profits.

Concept 1: Career Choices and Consequences.

A. Evaluate how career choices impact income and quality of life.
B. Analyze the relationship between education, skill development and earning potential.
C. Describe how wages and salaries are determined in labor markets.
D. Analyze how changes in economic conditions and/or in labor markets can cause changes in a person's income or employment status.
E. Describe how entrepreneurs seeing problems as opportunities for creating new or innovative goods or services

Concept 2: Forms of Compensation

A. Examine how workers are paid through wages, salaries, and commissions.
B. Analyze why benefits such as health insurance, paid vacation, retirement plan, family leave, tuition reimbursement, and flexible scheduling are considered forms of compensation.
C. Identify sources for earning income in addition to wages and salaries such as rent, interest, gifts, dividends, profits, and capital gains.

Concept 3: Taxes and Other Deductions

A. Compare gross and net income.
B. Explain the purpose of standard deductions such as income taxes, social security (FICA), Medicare, deductions for health care, and retirement savings plans.
C. Explain how taxes provide public goods and services.

2 Earning Income

Evaluate how career choices impact income and quality of life.
Analyze the relationship between education, skill development, and earning potential.

Now is the time to start focusing on your plans after graduation. Whether you choose to find a job in your hometown or pack up and head off to college, an in-depth assessment of your personal interests can be a very important factor when determining which occupation will best suit you in the long run. Your financial plan should include a realistic idea of the salary you will be earning based on your occupation of choice.

As you begin making long-range goals for your future and your finances, it might be helpful to take a look at some Missouri averages. Refer to the chart on the following page to see salary information for the top 30 employing occupations within our state.

Some fields pay more than others, of course, and wages vary from employer to employer and across different geographic regions, as does the cost of living. Having a clear idea of your earning potential can help lead you toward sound financial decisions.

In looking over the top 30 fields employing Missouri workers, you may not see your future career listed. Not to worry, though. This data looks at the employment pool as a whole and includes both careers that require a college education and those that do not. With so many career options available, it could be that your chosen career just did not make the top 30 in terms of raw numbers.

With nearly 800 occupations to consider, choosing a career can be a challenge. Missouri Career Grades are a tool to help compare the future outlook of occupations. To make the comparisons easier, the Missouri Career Grades Report assigns letter grades to various occupations within the state based on each occupation's outlook over the next decade. Grades are based on a combination of total job openings, percent growth, and the average wages of an occupation. Information regarding Grade A, B, and C careers can be found on pages 20-25.

Missouri Connections (*missouriconnections.org*) allows you to take career system assessments, build a portfolio, and create a career and academic course plan. If your school does not participate in Missouri Connections, you may register as a guest.

Remember, it is always good to plan ahead. Set reasonable expectations for your future income so that you can make practical financial choices that you will be prepared to live with in the years to come.

If your income does not increase at the same rate of inflation, you will find your standard of living declining, even though you are making more. Inflation is defined as the rise in the general level of prices of goods and services over a period of time. Inflation is typically measured by the annualized change in the Consumer Price Index, which includes the typical goods and services needed by households. Remember, the price of goods and services are subject to change due to the economy, so everything you buy today may cost more in the future.

Leave a little growing room in your budget to cover costs associated with inflation.

2 Earning Income

Top 30 employing occupations in Missouri

The information below is listed according to the number employed in each occupation during calendar year 2018. The full report is available at *meric.mo.gov/workforce-research/occupational-employment-wages.*

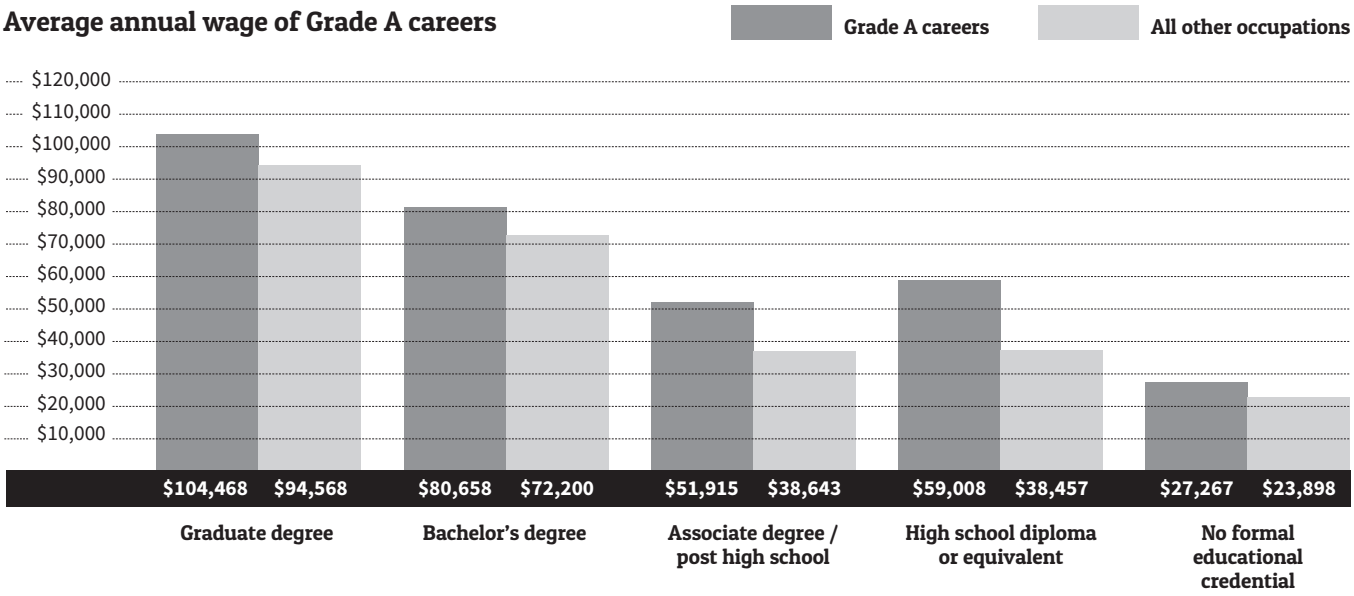
Occupation	Number employed	Annual wage (entry)
Retail Salespersons	82,910	$17,880
Combined Food Preparation and Serving Workers, Including Fast Food	77,770	$17,350
Cashiers	75,060	$17,430
Registered Nurses	71,770	$44,060
Secretaries and Administrative Assistants, Except Legal, Medical, and Executive	69,510	$21,160
Personal Care Aides	60,330	$18,300
Customer Service Representatives	48,150	$21,880
Waiters and Waitresses	48,060	$17,150
Laborers and Freight, Stock, and Material Movers, Hand	46,990	$20,680
General and Operations Managers	46,490	$36,480
Heavy and Tractor-Trailer Truck Drivers	44,470	$26,750
Office Clerks, General	42,890	$19,050
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	40,070	$18,790
Nursing Assistants	38,560	$18,700
Stock Clerks and Order Fillers	36,470	$18,570
Bookkeeping, Accounting, and Auditing Clerks	29,760	$22,820
Cooks, Restaurant	28,990	$18,290
Maintenance and Repair Workers, General	28,150	$21,740
Secondary School Teachers, Except Special and Career/Technical Education	27,930	$33,190
Elementary School Teachers, Except Special Education	25,670	$32,840
Assemblers and Fabricators, All Other, Including Team Assemblers	25,140	$22,800
Accountants and Auditors	25,090	$38,480
Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Products	25,080	$28,660
First-Line Supervisors of Office and Administrative Support Workers	22,150	$32,990
Maids and Housekeeping Cleaners	21,530	$17,680
First-Line Supervisors of Retail Sales Workers	20,910	$25,410
Construction Laborers	20,020	$26,250
Teacher Assistants	19,770	$17,750
First-Line Supervisors of Food Preparation and Serving Workers	18,830	$20,490
Sales Representatives, Services, All Other	18,770	$24,680

2 Earning Income

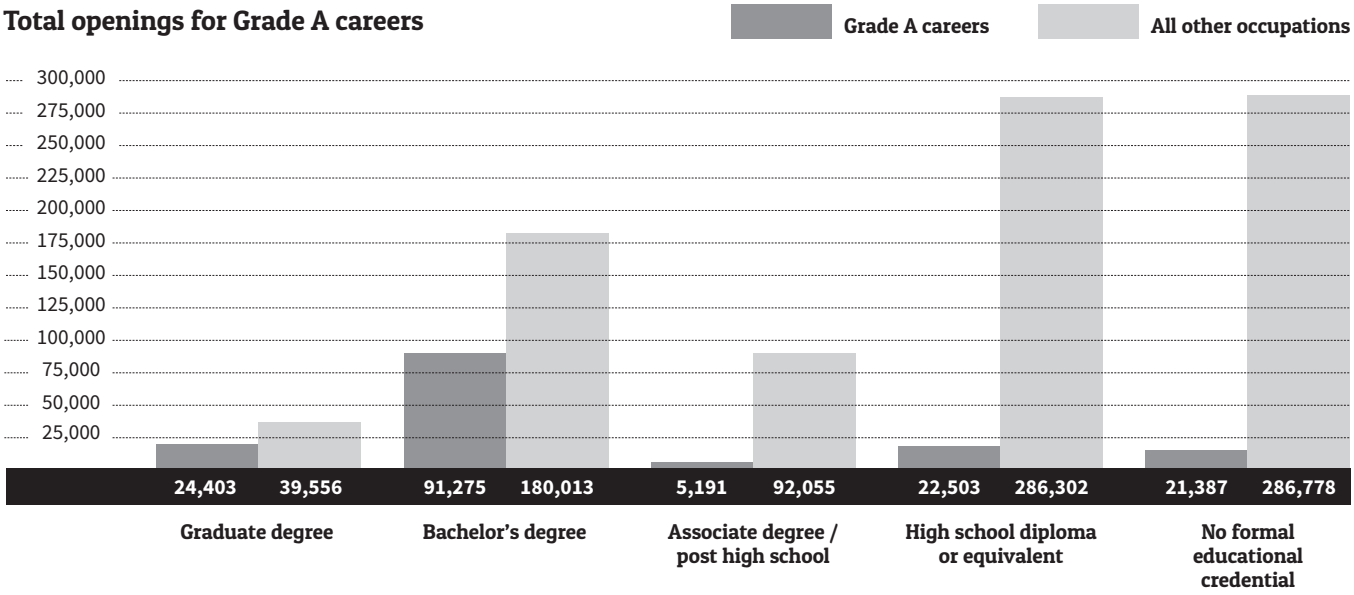
Grade A careers

Grade A careers have the best outlook with average or above projected growth rates, total openings and wages when compared to all occupations in the state. Approximately 509,000 Missourians were employed in Grade A occupations in 2014, making up 17.5 percent of the state's overall employment. Due to its high projected growth rate of 12.4 percent (double the overall state average), Grade A occupations are expected to account for 18.5 percent of the state's overall employment by 2024. Grade A careers can be found in numerous occupational fields, and have a combined average wage of $72,691 per year.

Average annual wage of Grade A careers



Total openings for Grade A careers



2 Earning Income

Top Grade A careers

Grade A occupations are projected to experience the greatest percentage of growth between 2014 and 2024. These occupations cover a wide range of career opportunities and require short, medium, and long-term education and training.

Now occupations	Openings	Average wage
Personal care aides	14,436	$20,137
Sales representatives, wholesale and manufacturing	7,148	$62,069
Construction laborers	6,951	$41,313
Insurance sales agents	4,183	$61,790

Next occupations	Openings	Average wage
Supervisors of office and administrative support workers	5,732	$53,848
Computer user support specialists	3,964	$49,403
Electricians	3,406	$57,762
Plumbers, pipefitters, and steamfitters	2,033	$63,601
Web developers	787	$61,664
Diagnostic medical sonographers	440	$66,363

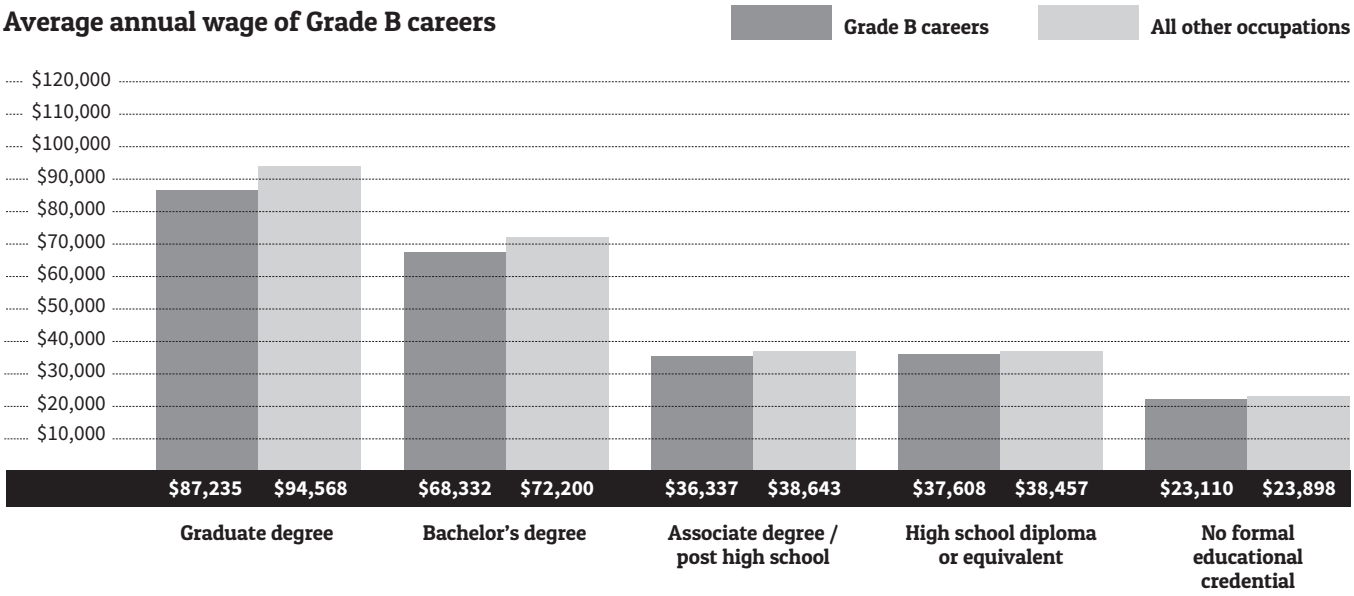
Later occupations	Openings	Average wage
Registered nurses	25,304	$59,145
General and operations managers	16,699	$100,506
Accountants and auditors	9,206	$71,485
Elementary school teachers, except special education	6,357	$52,921
Managers, all others	4,614	$106,627
Computer systems analysts	4,028	$89,754
Software developers, applications	3,813	$92,663

2 Earning Income

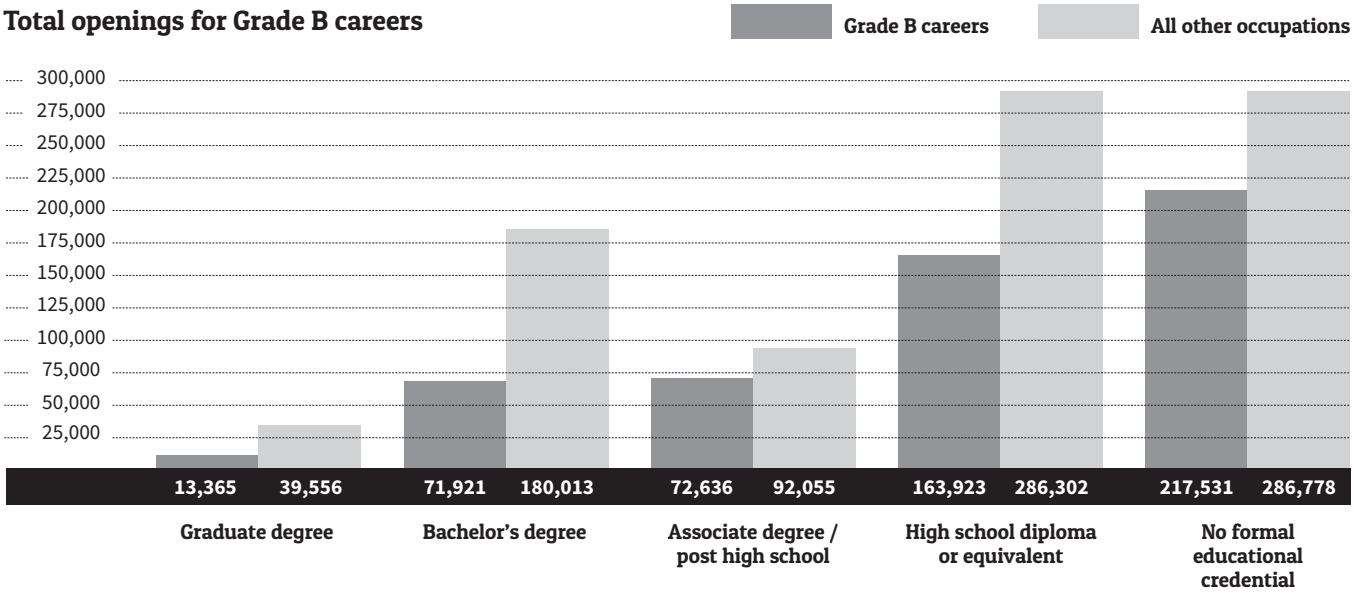
Grade B careers

Grade B careers account for the largest number of current Missouri workers, and they are also projected to produce the largest number of total openings from 2014 to 2024. In 2014, just over 1,670,000 Missouri workers were employed in Grade B occupations, which is 57.4 percent of Missouri's total workforce. Grade B occupations have a projected growth rate of 7.1 percent, which is higher than the state average of 6.1 percent, and an average annual wage of $38,469, putting it below the average annual wage of $43,650 for all occupations.

Average annual wage of Grade B careers



Total openings for Grade B careers



2 Earning Income

Top Grade B careers

Grade B occupations are projected to create the largest amount of total openings between 2014 and 2024. With more than 539,300 projected openings, Grade B occupations will account for 61 percent of the state's overall projected openings.

Now occupations	Openings	Average wage
Retail salespersons	34,062	$25,636
Combined food preparation and serving workers	33,524	$19,160
Cashiers	31,650	$20,376
Waiters and waitresses	26,749	$19,389
Customer service representatives	18,621	$33,250
Office clerks	14,478	$30,210
Laborers and freight, stock, and material movers	14,226	$28,433

Next occupations	Openings	Average wage
Nursing assistants	16,039	$23,869
Maintenance and repair workers	9,443	$35,440
Cooks	8,983	$22,794
Supervisors of food preparation and serving workers	8,526	$29,562
Heavy and tractor-trailer truck drivers	8,201	$40,833
First-line supervisors of retail sales workers	7,819	$39,724
Licensed practical and licensed vocational nurses	5,934	$38,379

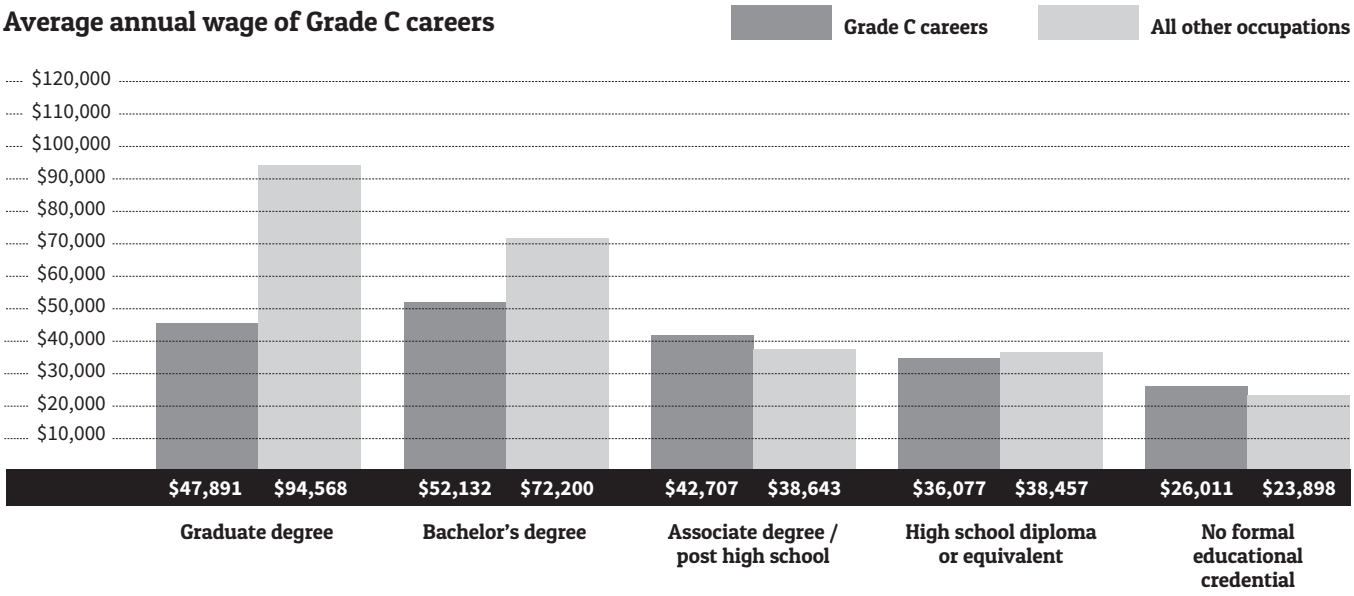
Later occupations	Openings	Average wage
Secondary school teachers, except special	6,470	$47,959
Substitute teachers	4,267	$25,427
Middle school teachers, except special education	3,567	$53,628
Human resources specialists	2,587	$58,918
Business operations specialists	2,420	$68,733
Computer programmers	2,126	$78,827
Healthcare social workers	2,079	$46,351

2 Earning Income

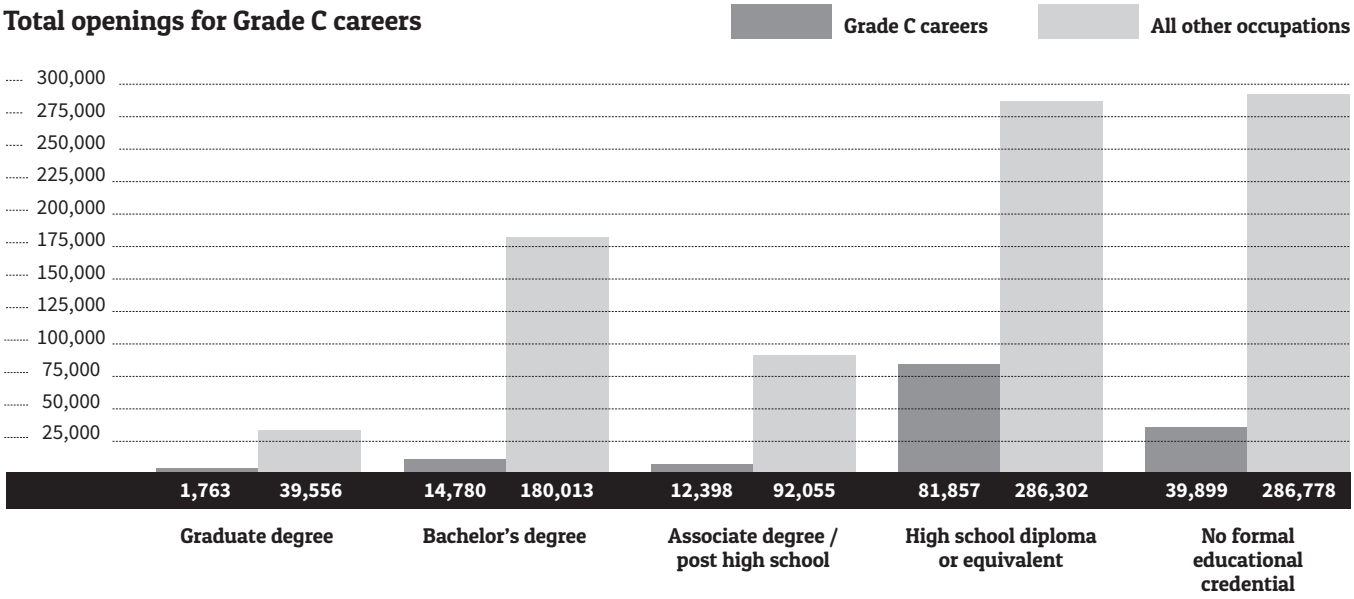
Grade C careers

Grade C careers represent 20 percent of Missouri's current workforce, and they're expected to experience a smaller than average growth during the projected period. Grade C occupations earn on average $36,483 per year, which is below the overall average of $43,650 annually.

Average annual wage of Grade C careers



Total openings for Grade C careers



2 Earning Income

Top Grade C careers

Careers that require a high school diploma or less are expected to account for 80.8 percent of all openings for Grade C occupations. These openings are mostly due to the need for replacement workers.

Now occupations	Openings	Average wage
Tellers	4,492	$23,858
Cooks, institution and cafeteria	4,203	$22,285
Dishwashers	3,648	$19,005
Light truck or delivery services drivers	3,288	$33,872
Packaging and filling machine operators and tenders	3,161	$33,139
Helpers, production workers	3,076	$25,253
Industrial truck and tractor operators	2,553	$33,592

Next occupations	Openings	Average wage
Bookkeeping, accounting, and auditing clerks	3,548	$36,894
Supervisors of production and operating workers	1,930	$54,668
Executive secretaries and executive administrative assistants	1,468	$51,529
Supervisors of helpers, laborers, and material movers	1,121	$48,828
Supervisors of transportation and vehicle operators	1,109	$52,331
Food service managers	998	$48,748
Library technicians	990	$36,133

Later occupations	Openings	Average wage
Child, family, and school social workers	2,505	$35,497
Graphic designers	1,346	$47,900
Kindergarten teachers, except special education	867	$47,523
Rehabilitation counselors	763	$37,644
Elementary school special education teachers	736	$49,460
Editors	735	$56,975
Compliance officers	691	$60,322

2 Earning Income

Analyze why benefits such as health insurance, paid vacation, retirement plan, family leave, tuition reimbursement, and flexible scheduling are considered forms of compensation.

Often benefits such as paid holidays, health insurance, and retirement plans are used as compensation for employment in addition to your wages or salary. Employer-provided health insurance is typically less expensive than an individually purchased plan because your employer usually pays a part of the premium. Some benefits are tax-sheltered, which means that you do not have to pay income taxes on the value of the benefits. This is an example of allowable deductions, which have the ability to boost your disposable income by thousands of dollars each year.

Explain the purpose of standard deductions such as income taxes, social security (FICA), Medicare, deductions for health care, and retirement savings plans.

As United States citizens, we are required by the federal government to pay taxes on our taxable income and, as Missouri citizens, we are also required to pay state taxes. The amounts may vary from year to year and are determined by subtracting allowable deductions from your gross income. Taxable income levels are adjusted each year to reduce the effects of inflation.

Social Security is one benefit that comes from paying the compulsory payroll tax, a required amount taken from an employee's income as prepayment of an individual's tax liability. This amount is then split between the employee and the employer. Social Security taxes withheld from wages are called Federal Insurance Contributions Act (FICA) taxes. During a calendar year, you can earn Social Security credits for a certain amount of work covered under Social Security benefits. These funds are used as a foundation of income for retirees.

2 Earning Income

WORKSHEET 2.1.1

Name:_____ **Date:** _____

1. What is your desired career or profession? _____

2. What is your annual wage? _____
   Visit *meric.mo.gov/workforce-research/occupational-employment-wages*

3. What additional education or training is needed for your desired career or profession? Visit *scorecard.mo.gov/Search*, or you may interview someone who is currently employed in the field.
   _____
   _____
   _____

4. How much will the education or training cost? Research what education and training will cost at a variety of schools. Refer to the Missouri Department of Higher Education & Workforce Development's program inventory (*collegesearch.mo.gov*).
   $_____(annualcost)x _____(number of years you will attend) = $ _____ (total)$
   _____(annualcost)x _____(number of years you will attend) = $ _____ (total)$
   _____(annualcost)x _____(number of years you will attend) = $ _____ (total)

5. After applying for scholarships and grants, you find you are still falling short of enough to pay for your education. The maximum amounts of student loans for dependent students are:
   $5,500 — Freshman ($3,500 subsidized/$2,000 unsubsidized)
   $6,500 — Sophomore ($4,500 subsidized/$2,000 unsubsidized)
   $7,500 — Junior ($5,500 subsidized/$2,000 unsubsidized)
   $7,500 — Senior ($5,500 subsidized/$2,000 unsubsidized)
   Use the Student Loan Repayment Calculator at *mappingyourfuture.org/paying/standardcalculator.cfm* to complete the following to see what your total debt would be if you borrow the maximum amount each year you are in school.

Number of Monthly Payments: 120 Simple Interest Rate: 6.8%

A. Principal amount of loan: _____
B. Your total interest costs: _____
C. Total cost of education or training: _____
D. Monthly payment: _____
E. Minimum annual salary to handle these payments: _____

Will the salary from your chosen profession be enough to cover this payment? _____
_____

6. Annual wage x 25 = $ _____ — Total cost $ _____
   = Total lifetime salary $ _____

2 Earning Income

WORKSHEET
2.1.2

Names of group members: _____ **Date:**_____

Profession/career: _____

1. What is the average training/education level? _____

2. What is the average training/educational expense? $ _____

3. What is the average annual wage? $ _____

4. What is the average lifetime salary? $ _____

5. What degrees or certificates will the group need to obtain to secure a job in this profession/career? _____
_____
_____
_____
_____

6. What schools will be attended by the group members? Why were these schools selected? _____
_____
_____
_____
_____

7. Personal reflection: How has this investigation changed your perception of your future career choice? Did the price of higher education surprise you? How did your lifetime salary compare to others in your class? Has this project changed your mind about your career choice? _____
_____
_____
_____
_____
_____
_____
_____
_____
_____
_____
_____
_____
_____
_____

2 Earning Income

WORKSHEET 2.2.1

Name:_____ **Date:** _____

DIRECTIONS: Answer the following questions below using the pay stub.

Central Grocery Store #122		*Statement of Earnings and Deductions*				
Employee					**Check Number**	
Ida Student					1234567	
SSN	**Period End Date**	**Pay Rate**	**Check Date**		**Net Pay**	
******1234	09/30/20XX	8.00	10/02/20XX		105.85	
Current Earnings	**YTD Earnings**	**Current Deductions**				
128.00	1,536.00	22.15				
Pay Category	**Rate**	**Hours**	**Amount**	**Deduction Category**	**Amount**	**YTD Amount**
Regular Pay	8.00	16	128.00	Federal Income Tax	10.50	126.00
Vacation		0	0	Missouri Income Tax	3.71	44.52
				FICA Tax	7.94	95.28
Questions? Contact Human Resources at 573-555-8000.						

1. Explain the difference between gross pay and net pay. _____
_____
_____

2. How much is Ida's current gross pay? $ _____

3. How much is Ida's current net pay? $ _____

4. FICA tax is also known as _____.

5. How much FICA has Ida paid this year so far? $ _____

6. Name three other possible deductions:
_____
_____
_____

7. How much in deductions did Ida pay this month? $ _____.

8. Tax deductions are calculated based on the amount earned and the number of _____ you claim.

2 Earning Income

WORKSHEET 2.2.2

Name:_____ **Date:** _____

DIRECTIONS: Identify the values for the items on the right side of the page using the pay stub below.

State of Missouri
Office of Administration
PO Box 809
Jefferson City, Missouri 65102

Name: JOE STUDENT
Address: 100 MAIN STREET
ANYWHERE, MO 61111

Check Date: 12/15/20XX
Payroll Period: 11/16/20XX-11/30/20XX
Check Net Amount: $1,147.55

Wages		Amount	YTD Amount
GROSS WAGES		$1,707.00	$39,261.00
FEDERAL/STATE TAXABLE WAGE		$1,428.89	$32,864.47
SOCIAL SECURITY/MEDICARE WAGE		$1,463.89	$33,669.47
Pay	**Rate**	**Hours**	**Amount**
REGULAR PAY	$1,707.00	78:40	$1,549.43
STATE COMP USAGE PAY	$1,707.00	8:00	$157.57
Total		*86:40*	*$1,707.00*

Deductions	Amount	YTD Amount
CAFETERIA ADMINISTRATION FEE	$1.25	$28.75
CAFETERIA PLN-FLEXIBLE MEDICAL	$164.16	$3,775.68
FEDERAL TAX WITHHOLDING	$160.37	$3,688.51
MCHCP DENTAL - CP	$24.15	$555.45
MCHCP HEALTH - CP	$50.00	$1,150.00
MCHCP VISION - CP	$4.80	$110.40
MEDICARE TX W/H EMPLOYEE SHARE	$21.23	$488.21
MO STATE DEFERRED COMP PLAN	$35.00	$805.00
MO STATE EMP CHARITABLE CAMPAI	$5.00	$115.00
SOCIAL SECURITY TAX W/H -EE	$61.49	$1,414.12
STATE TAX WITHHOLDING	$32.00	$736.00
Total	*$559.45*	*$12,867.12*

Employer Contributions	Amount	YTD Amount
LIFE INSURANCE FRINGE PAYMNT	$7.60	$174.80
LONG TERM DISABILITY FRINGE	$8.45	$194.35
MCHCP HEALTH FRINGE PAYMENT	$328.00	$7,736.00
MEDICARE FRINGE PAYMENT	$21.23	$488.21
MOSERS RETIREMENT PLAN FRNG PY	$238.47	$5,449.32
RETIREE HEALTH FRINGE	$68.79	$1,633.41
SOCIAL SECURITY TAX W/H -ER	$90.76	$2,087.51
Total	*$763.30*	*$17,763.60*

1. Current gross wages amount:
   $ _____
2. Current net pay amount:
   $ _____
3. Current Medicare Tax amount:
   $ _____
4. Year-to-date (YTD) gross wages:
   $ _____
5. Current federal income tax amount:
   $ _____
6. Current state income tax amount:
   $ _____
7. Current FICA (Social Security) amount:
   $ _____

3

Buying Goods & Services

People cannot buy or make all the goods and services they want; as a result, people choose to buy some goods and services and not buy others. People can improve their economic well-being by making informed spending decisions, which entails collecting information, planning, and budgeting.

Concept 1: Creating a Budget

A. Differentiate between income and expenses.
B. Analyze spending habits to recognize current spending and saving trends.
C. Create a budget that includes savings goals, emergency funds, fixed expenses, and variable expenses.
D. Explain how budgeting for charitable giving may have tax benefits.
E. Prioritize expenses and payment due dates.

Concept 2: Purchasing Items of High Value

A. Conduct research on product options to plan future purchases such as phone, car, home, or vacation.
B. Evaluate product information for price, quality, service, and features.
C. Describe effective responses to deceptive or fraudulent sales practices.
D. Identify payment methods.
E. Analyze the costs and benefits of different payment options.

Concept 3: Considering Alternative Goods and Services

A. Evaluate substitutes when the price of goods or services exceeds your budget.
B. Compare the features, durability, and maintenance of costs of goods.

Concept 4: Selecting Financial Institutions

A. Compare the service, served fees, and requirements of various financial institutions such as banks, savings and loans, credit unions, and virtual banks.
B. Calculate an account balance by recording deposits, withdrawals and debit transactions.
C. Analyze the costs and benefits of using or not using financial institutions, and virtual exchanges.
D. Explain the importance of FDIC, NCUA, and other security regulations to protect one's wealth in financial institutions.

3 Buying Goods & Services

Differentiate between income and expenses.

Analyze spending habits to recognize current spending and saving trends.

Know how much money you have coming in. With daily changes in the economy, it is never too early to start paying close attention to how you manage your finances. If you are currently earning some cash thanks to a part-time job, develop a habit of spending only a small percentage of your paycheck. Not sure how much your next check will be? Develop a log sheet to keep track of your hours. This simple task will provide an excellent tool to estimate your weekly or monthly paychecks.

Use your log sheet to record income from any other outside sources. Jot down this amount for a more accurate account of available funds.

Know how much money you have going out. To estimate your expenses, review your bank statements and receipts to get a better idea of where your money is going. Watching the numbers add up in black and white may shock you, with small items like music downloads and lattes impacting your account balance more than you originally predicted.

Do not forget to build in a way to grow your savings. Cash might be tight, but saving — even a little at a time — can really add up when interest is compounded over the years.

Create a budget that includes savings goals, emergency funds, fixed expenses, and variable expenses.

Creating a budget that clearly identifies your "needs" and "wants" can be an easy task if you follow these two steps:

1. Establish a budget that works for you. Think of your budget as a spending plan, a way to be aware of how much money you have, where it needs to go, and how much is left over. Your budget should meet your "needs" first, and then the "wants" that you can afford.

   If you are a little fuzzy on how to distinguish your "needs" from "wants", take a piece of paper and make a list of the items you often purchase after receiving your paycheck. For each item listed, ask yourself, "Do I need this to live?" If the answer is "no," you should classify this item as a "want." Even though "want" purchases may seem appealing to you, they may not be so appealing to your bank account or wallet. With negative account fees as high as $40, you are likely to cause more harm to your bank account than good. Remember, the goal is for your expenses to be less than your total income. If your income does not cover your expenses, you will need to adjust your budget (and your spending) by deciding which expenses can be reduced.

2. Be realistic. Keep it simple. Give it time. Do not cut basic necessities or make your budget so tight that it becomes a chore instead of a useful tool. Hang in there and your budget will prove itself over time.

3 Buying Goods & Services

Identify payment methods.
Analyze the costs and benefits of different payment options.

Understand that any time you use a credit card, you are borrowing money. If you do not pay off your balance each month, interest will be added to the total amount you owe. (Do you really feel like paying interest on a pizza you ate three months ago?) Remember, there are two types of consumer credit:

1. **Installment Credit** — when you make equal monthly payments for a specific period of time. For example, when you buy a car, your payment may be $350 for 60 months (five years). At the end of this period, you have repaid the amount you borrowed, plus interest.

2. **Non-installment Credit** — this includes single payment loans and open-ended credit. For example, if you borrow $1,000 at 10 percent interest, you will make a single payment of $1,100 to repay the loan at the end of the year. Open-ended credit is also called revolving credit. Credit cards are an example of open-ended credit. Credit is extended to you in advance, but you do not have to reapply each time you decide to take out a loan. You can borrow funds whenever you like in any amount up to your credit limit. You can repay the loan by making a minimum payment or paying off the entire amount borrowed.

3 Buying Goods & Services

Compare the services, service fees, and requirements of various financial institutions such as banks, savings and loans, credit unions, and virtual banks.

Calculate an account balance by recording deposit, withdrawals, and debit transactions.

You may already have a checking account and some experience using a debit card. And while maintaining your account between homework and extracurricular activities can seem like quite the difficult task, there are a few pointers that can help keep you on track.

Do not automatically assume the account balance you see on your ATM receipt or your bank's website is up to date and accurate. Checks you have written, electronic payments, and other money transfers may not be processed instantly. For example, the debit card transaction you used to purchase a movie ticket on Saturday night might not show up on your account records until the following Monday or Tuesday. If you rely on the balance you see on Sunday, you may run into trouble.

Banks offer many products and services to help you stay on top of your finances. The trick is to only choose the products and services that you need. A few examples of these products and services are:

- **Checking accounts** — features may include no monthly fee, unlimited check writing, and no minimum balance
- **Savings accounts** — allow you to save and make money by accruing interest, and to withdraw money whenever you need it
- **Certificates of deposit** — interest rate is fixed and usually higher than a savings account, however, you cannot make withdrawals. The money you use to purchase a CD must be left alone for the specified term.
- **Credit cards** — applying for a credit card through your bank may provide you a lower interest rate
- **Investments** — get expert advice before you start investing in stocks, bonds, real estate, etc.
- **Private banking** — receive personal attention and help determining your needs and creating a plan to manage your finances
- **Online banking** — access your accounts or pay your bills at your convenience

Watch out for banking fees. Debit cards are widely accepted just about anywhere credit cards are honored. However, especially if you are new to debit card purchases, you should be aware of the small print associated with your card. Some accounts charge a fee for using a debit card as a debit transaction at particular stores or gas stations. If this is the case with your account, treating such a purchase as a credit transaction (when swiping your card) may help you avoid the fee.

Make sure your account information is safe. Sign the back of your debit card, memorize your unique personal identification number, and keep the card in a safe place where only you have access. Remember, grabbing the card (or your checkbook for that matter) and sticking it in your back pocket on the way out the door is asking for it to get lost and increases the possibility that your account will be compromised.

You should also beware of phishing tactics that seek to gain your personal information online. Be alert if you receive an email that looks like it is from your bank regarding your account. Never click on the link within the email message, and never provide details about your account. Your bank already knows this information and will not ask you to email sensitive data to them. If you question an email, contact your bank directly to verify its authenticity.

Balance your account regularly. Balancing your account every month when your bank statement arrives makes sound financial sense; it is an ideal way to help you keep track of your money and to verify that the information you have tracked is accurate.

A template for balancing your checking account can be found at *mappingyourfuture.org/money/checkbook.cfm*.

3 Buying Goods & Services

Explain the importance of FDIC, NCUA, and other security regulations to protect one's wealth in financial institutions.

The SEC's regulatory role, along with its oversight of the various self-regulatory organizations with respect to financial intermediaries and market professionals, focuses on helping to ensure that investors are treated fairly and that the institutions managing and processing their investments are subject to meaningful controls to protect investor assets. Statutes and rules require that brokers and advisers tell investors the truth, that brokers recommend only those products that are suitable for their customers to buy and that advisers act in accordance with their fiduciary duties. In a way somewhat similar to this, investment advisors are required to manage any potential conflicts of interests and fully disclose them to investors.

The securities division within the Office of the Missouri Secretary of State ensures that firms and individuals selling securities in Missouri comply with the Missouri Uniform Blue Sky Law and other state laws and regulations. Missouri investors may also file complaints online at *sos.mo.gov/securities*.

Other resources providing investment information, professional registration, regulation standards and investment alternatives:

- Federal Deposit Insurance Corporation – *fdic.gov*
- National Credit Union Administration – *ncua.gov*
- Securities Investor Protection Corporation – *sipc.org*

3 Buying Goods & Services

WORKSHEET
3.1.1

DIRECTIONS: Use the costs below to complete your monthly budget on Worksheet 3.1.2

Housing

Low	One-bedroom apartment	$485
Middle	Two-bedroom apartment	$600
High	House	$975

Utilities

	Low	Middle	High
Electricity	$80	$100	$125
Heating	$80	$100	$125
Phone (land line)	$30	$38	$50
Cable	$45	$56	$70
Internet	$35	$44	$55
Smartphone	$50	$63	$79

Food

Low	Eat at home	$250
Middle	Combo	$350
High	Dine out	$455

Transportation

Low	Public transit	$35
Middle	Small car	$490
High	Truck or SUV	$770

Clothes

Low	Basics	$50
Middle	A few new things	$100
High	New wardrobe	$200

Health insurance

Low	Receive through employer	$75
Middle	Receive through a family member	$100
High	Receive independently	$135

Entertainment

Low	Make my own entertainment	$50
Middle	Hang out and go out	$125
High	Dinner, movie and clubbing	$200

Personal care

Dentist, Haircut, Gym, Massage, Pampering

Low	$50
Medium	$75
High	$125

Miscellaneous

Coffee, Travel, Pets, Dates

Low	$100
Medium	$250
High	$500

Student loans

Low	Certificate/Associate degree	$100
Middle	Bachelor's degree	$230
High	Master's degree	$470

Savings

Low	5%
Middle	10%
High	20%

3 Buying Goods & Services

WORKSHEET
3.1.2

Name:_____ **Date:** _____

Income	**Monthly**	**Annually**
Savings, family contribution and gifts		
Income		
Grants		
Scholarships		
Loans		
Miscellaneous financial aid		
Total income		

Expenses	**Monthly**	**Annually**
Housing		
Utilities		
Food		
Transportation		
Clothes		
Health insurance		
Entertainment		
Personal care		
Miscellaneous		
Student loans		
Savings		
Total expenses		

Total	**Monthly**	**Annually**
Total income		
– Total expenses		
= Total remaining funds		

4

Saving

Saving is part of income that people choose to set aside for future uses. People save for different reasons during the course of their lives. People make different choices about how they save and how much they save. Time, interest rates, and inflation affect the value of savings.

Concept 1: Reasons for Saving

A. Identify short, medium, and long-term savings goals including saving for high value purchases, postsecondary education/training, and retirement.
B. Develop a savings plan.
C. Explain the importance of a rainy day fund for unexpected expenses.
D. Compare retirement savings options

Concept 2: Interest on Savings

A. Compare simple and compound interest.
B. Use the Rule of 72 to calculate how long it takes money to double.
C. Explain how the time value of money influences financial decision making.

Concept 3: Saving Instruments

A. Identify saving instruments such as certificates of deposit and savings accounts.
B. Compare the liquidity, interest payment, or penalty of various savings instruments.

4 Saving

Identify short, medium, and long-term savings goals including saving for high value purchases, postsecondary education/training, and retirement.

Explain the importance of a rainy day fund for unexpected expenses.

Jump start your savings plan! Did you know that most adults encounter at least one unexpected financial downturn (such as job loss or medical expenses) in their lifetime? Although you may be lucky enough to avoid such misfortune, it is better to be safe than sorry.

Take the smart approach. Start planning for your future by opening a savings account. Remember, a savings or money market account can aid in accumulating the money you need to purchase the items on your "wants" list.

A savings account allows you to earn interest on the money you have saved. You may also use your savings account as a place to hold your emergency fund, or a place to put your money until you have enough to purchase the smartphone you are dreaming about. Interest rates are usually lower on savings accounts than money market funds or longer-term savings instruments.

Develop a savings plan.

Make it happen by paying yourself first.

- Even when you are starting to run low on cash, make it part of your routine to put money toward your savings before you spend it on other things.
- When you receive your paycheck or other money, deposit or electronically transfer the funds into your savings account.
- Ask your employer to directly deposit some of your earnings into your savings account.
- Save loose change in a jar and set a goal for how much you want to gather. At the end of each month, deposit your collection into your savings account.

Watch your savings grow. The upside of routinely saving money means your money is actually making you money as interest accumulates.

Even very small sums of money add up … over time … with interest. The interest that you earn today is added to your savings total and further increases the amount of interest you earn in the future.

The key is to continuously put aside something. The savings calculator at *mappingyourfuture.org/money/savingscalculator.cfm* demonstrates just how valuable regular saving can be. Use it today to create your own personalized savings plan.

4 Saving

Compare simple and compound interest.
Use the Rule of 72 to calculate how long it takes money to double.

The rate of return on your savings is the total amount you earn on your principal. It is expressed as a percentage of its price and usually reported on an annual basis. The formula for figuring the number of years it would take to double your principal using compound interest is called the Rule of 72 (72 ÷ interest rate). For example, if your interest rate is 4 percent, it would take 18 years to double your principal (72 ÷ 4 = 18); if your interest rate is 12 percent, it would only take six years to double your principal.

Compound interest is what helps to make your savings grow. You are not only earning a return on your initial deposit, but each year the interest you make on your savings will earn a return the next year. For example, if you deposit $1,000 at an interest rate of 4 percent, you will earn $40 worth of interest. When that is added to your principal ($1,000 + $40 = $1,040), you will earn 4 percent on $1,040 the next year ($41.60). Interest continues to be added to your principal and your savings continues to grow.

On the other hand, using the simple interest method, each year the interest on the initial deposit only would be added. For example, a $1,000 investment at 4 percent interest would yield $200 over a five-year period ($40 + $40 + $40 + $40 + $40).

4 Saving

WORKSHEET
4.1.1

Name:_____ **Date:** _____

1. Name three mutual funds:_____
_____
_____

2. What is the difference between mutual funds and stocks? _____
_____
_____
_____

3. If you had $10,000 to invest, how would you invest it? Why?_____
_____
_____
_____

4. What is diversification? _____
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Notes from guest speakers: _____
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4 Saving

WORKSHEET
4.2.1

Name:_____ **Date:** _____

1. If you borrowed $3,000 for four years at 5 percent simple interest rate, how much interest would you pay?
   _____

2. How much would your initial loan amount be if you paid $3,150 in interest and you had a 7 percent simple interest rate for six years? _____

3. If you have a bank account with a principal of $1,000 and your bank compounds the interest twice a year at an interest rate of 5 percent, how much money do you have in your account at the year's end? (Assume that you do not add or withdraw any money from the account.) _____
   _____

4. You just received your first credit card. It charges 12.49 percent interest to customers and compounds that interest monthly. Within one day of getting your card you max out the credit limit by spending $1,200. If you do not buy anything else with the card and you do not make any payments, how much money would you owe after six months assuming no late fees are assessed?_____
   _____

5. Regarding the Rule of 72 you read about on page 44,
   A. How long would it take to double your investment with an interest rate of 3 percent?_____
   B. How long would it take to double your investment with an interest rate of 11.75 percent? _____
   _____

5

Using Credit

Credit allows people to purchase goods and services they can use today and pay for those in the future. People choose among different credit options that have different costs. Lenders approve or deny applications for loans based on an evaluation of the borrower's past credit history and expected ability to pay in the future. Higher-risk borrowers are charged higher interest rates; lower-risk borrowers are charged lower interest rates. The responsibility for debt belongs to the borrower.

Concept 1: Facets of Credit

A. Analyze the difference between a credit and a debit account.
B. Compare sources of consumer credit such as credit cards, consumer loans, rent-to-own, title and payday loans.
C. Evaluate the options for financing higher education.
D. Analyze various terms and conditions of credit cards and consumer loans.
E. Explain the purpose, functions, and costs of a mortgage.

Concept 2: Interest on Credit

A. Compare the cost of credit between financial institutions based on the Annual Percentage Rate (APR), initial fees charged, and fees for late or missed payment.
B. Calculate the total purchase price of a good or service, including interest paid.
C. Explain the relationship between risk and interest including credit worthiness and down payment.
D. Differentiate between secured and unsecured loans.

Concept 3: Credit Worthiness

A. Evaluate factors that affect creditworthiness including paying on time and payment history.
B. Explain the purpose and components of credit records and credit history as provided by credit bureaus.
C. Identify ways to avoid and/or correct credit problems.
D. Analyze why credit scores may be used by entities such as employers, landlords, and insurance companies.
E. Evaluate a credit report to verify accuracy.
F. Explain the importance of annually verifying one's credit report.
G. Explain the value of consumer credit protection laws.
H. Explain responsibilities associated with the use of credit.

5 Using Credit

Analyze the difference between a credit and a debit account. **Compare** sources of consumer credit such as credit cards, consumer loans, rent-to-own, title and payday loans.

Consumer credit is non-business debt used by individuals for expenditures other than home mortgages. There are two types of consumer credit: installment credit and non-installment credit (defined on page 35). Auto loans, credit cards, and student loans are all sources of consumer credit.

Think before getting your first credit card. Do you really need a credit card, or would another option work just as well? Some other options to think about:

- **Debit card** — deducts charges directly from your checking account so you only spend money you have.
- **Secured credit card** — works similar to a credit card, except that a savings account is established specifically for the card to make payments if you do not.
- **Waiting** — just put off the decision for six months or a year and see how well you do without a credit card.

Evaluate the options for financing higher education.

Financial aid is any funds provided to students and their families to help pay for the cost of college. A college education is an investment in the future, and various forms of financial aid are available to help pay for it. Need-based aid is awarded on the basis of a student's financial need. Non-need-based aid is awarded on the basis of a student's academic or athletic achievements, service to a local community, unique skills, or special talents.

Types of financial aid include:

- **Scholarships** – Financial assistance usually based on merit or ability, which typically does not have to be repaid.
- **Grants** – Need-based aid that typically does not have to be repaid (often referred to as gift aid).
- **Work-study** – Jobs available to students as a way to earn money toward their educational expenses.
- **Loans** – Federal and private loans available to students and parents to help pay for educational expenses.

The first step to applying for most forms of financial aid begins with completing the Free Application for Federal Student Aid. For detailed steps on filing a FAFSA, visit *journeytocollege.mo.gov/pay/file-a-fafsa/*.

5 Using Credit

Analyze various terms and conditions of credit cards and consumer loans.

Choose wisely. When selecting a credit card, you should shop around for the best deal. Compare different cards based on your own situation. Be sure to look for the following:

- A low annual percentage rate. The lower the rate, the less interest you have to pay. Avoid teaser rates (low introductory rates that are raised after a year or less).
- The interest calculation method. This affects how much interest you pay, even when the APR is identical.
- Low or no annual fees. If the issuer charges an annual fee, ask them to waive it.
- All other fees (late payment fees, transaction fees, over-the-limit fees, etc.) These can really add to the total cost of your charges. In fact, Americans pay about $15 billion each year in credit card penalty fees.
- Transferring all credit card debt onto one card can sometimes save significant money on interest charges. Balance transfer offers may have attractive introductory or promotional rates along with a transfer fee.
- Be sure to look at the Schumer Box (chart on back of offer) to become familiar with the APR after the initial period as well as any fees for which you may be responsible. Choose the card that is best for you.

Use *Bankrate.com* as a resource when comparing credit cards.

5 Using Credit

Compare the cost of credit between financial institutions based on Annual Percentage Rate (APR), initial fees charged, and fees for late or missed payment.

Calculate the total purchase price of a good or service including interest paid.

Evaluate factors that affect creditworthiness including paying on time and payment history.

Explain the purpose and components of credit records and credit history as provided by credit bureaus.

Analyze why credit scores may be used by entities such as employers, landlords, and insurance companies.

Evaluate a credit report to verify accuracy

Explain the importance of annually verifying one's credit report.

Review your credit report. Keeping a watchful eye on your credit report can make all the difference in achieving your financial goals. Your credit report is a collection of information about you and your credit history, and it can have a major impact on your life. The three credit reporting agencies are Equifax, TransUnion, and Experian.

What is a credit report? If you have ever applied for any of the following, you have a credit report:
- Credit card
- Student loan
- Auto loan

Understand who looks at your credit report. Your credit report may be looked at by:
- Potential creditors
- Potential and current employers
- Landlords
- Government licensing agencies
- Insurance underwriters

Know what information lenders are looking for.
- How promptly do you pay your bills?
- How many credit cards do you hold?
- What is the total amount of credit extended to you?
- How much do you owe on all of your accounts?

Be aware of the consequences of credit mistakes. Any negative information found on your credit report (late payments, bankruptcies, too much debt) can have a serious impact on your ability to:
- Get credit
- Get a new job
- Rent or buy a home

Know what IS on your credit report.
- Personal identifying information — name, Social Security number, date of birth, current and previous addresses, and employers
- Credit account information — date opened, credit limit, balance, monthly payment, and payment history
- Public record information — bankruptcy, tax and other aliens, judgments, and, in some states, overdue child support
- Inquiries — companies that requested your credit report

Know what is NOT on your credit report.
- Checking or savings account information
- Medical history
- Race
- Gender
- Religion
- National origin
- Political preference
- Criminal record

Be aware of how long information stays on your credit report.
- Positive information — indefinitely
- Inquiries — six months to two years
- Most negative information — seven years
- Some bankruptcies — 10 years

Request your free credit report. You are entitled to one free credit report a year from each of the three credit reporting agencies. You can request your credit report at *AnnualCreditReport.com*. Beware of websites with similar names that may require you to pay for a service in order to receive your "free" credit report.

5 Using Credit

Identify ways to avoid and/or correct credit problems

Know your credit score. Your credit report is free, but you usually have to pay to receive a credit score.

A credit reporting agency evaluates various components of your credit history to determine your credit score, including:

- Payment history
- Outstanding credit owed
- Length of time your credit has been active
- Types of credit you have
- Any new extended credit

Improve your credit score. If you encounter some financial problems, clean up your credit. It takes some time, but it will be well worth the effort.

- Pay off your current debt
- Make your payments on time
- Do not sign up for any new credit cards
- Stop using your credit cards for new purchases
- Keep your oldest account open — even if you no longer use it.

Explain the value of consumer protection laws.

If you encounter any problems with resolving credit discrepancies for in-store or online purchases, be sure to contact the seller first. If you have not made any progress in your efforts to resolve credit discrepancies, contact the following organizations:

- Local Better Business Bureau
- State and local consumer protection offices; in Missouri, you may file a complaint with the attorney general's office at *ago.mo.gov/app/consumercomplaint*.
- Federal Trade Commission

The Credit Card Accountability, Responsibility and Disclosure (CARD) Act of 2009 was signed into law to strengthen consumer protection in the credit card market. A healthy flow of credit is needed in our economy, but often credit card contracts and practices are unfair and deceptively complicated, leading consumers to pay more than they reasonably expect. The critical elements of reform in this law are:

- **Bans unfair rate increases** — rates can no longer be raised unfairly and interest rates on existing balances will not be hiked.
- **Prevents unfair fee traps** — ends late fee traps; enforces fair interest calculation; requires opt-in to over-limit fees; restrains unfair sub-prime fees; and limits fees on gift and stored value cards.
- **Plain sight/plain language disclosures** — credit card contract terms will be disclosed in language that consumers can see and understand, so they can avoid unnecessary costs and manage their finances; and issuers are required to show the consequences to consumers of their credit decisions.
- **Accountability** — ensures accountability from both credit card issuers and regulators who are responsible for preventing unfair practices and enforcing protections.
- **Protections for students and young people** — new protections for college students and young adults, including a requirement that card issuers and universities disclose agreements with respect to the marketing or distribution of credit cards to students.

5 Using Credit

Explain responsibilities associated with the use of credit.

Take a glance at the fine print on most credit card offers, and you will see why it is important to have a firm grip on your finances. Credit cards are not necessarily a bad thing, but if used improperly, credit cards can produce some pretty scary consequences. Learn the basics of establishing and maintaining credit. If you choose not to, high interest rates and minimum balance requirements may haunt you for the rest of your life.

Keep just one card. It will be easier to keep tabs on your spending.

Think about ways you can track your expenses. Waiting until your statement arrives each month to think about your balance can get you into trouble.

- Check your account online frequently
- Save receipts

Keep a record of the following in case your card is lost or stolen. Even better, keep a photo copy of the front and back of your card in a safe place at home.

- Account number
- Issuer's name
- Phone number

The bottom line: do not spend more than you can afford to pay on a monthly basis. Wise use of your credit cards will help you establish a solid credit rating and avoid financial problems.

Get help when you need it. If you run into some serious trouble with managing your finances, seeking the assistance of a professional credit counselor may provide just the relief you need.

Consumer credit counseling calls and sessions are confidential. A credit counselor can help you deal with:

- Financial responsibilities
- Creditor calls
- Pending consumer legal action against you
- Purchasing a home
- Bankruptcy
- Repairing and rebuilding your credit
- Reading credit reports
- Getting back on the road to financial success

Credit and debt counseling agencies are independent, nonprofit, community service agencies whose services are available to all members of the community. They do not work for a collection agency, bank, creditor, or the United States Marshals Service. Those that are members of national organizations such as the Financial Counseling Association of America or the National Foundation for Credit Counseling have strict standards to protect your interests. Many states license these agencies for your protection. To contact a credit and debt counseling agency, look in the yellow pages under "Credit and Debt Counseling" or visit *fcaa.org* or *nfcc.org*. Be sure you choose a nonprofit organization.

5 Using Credit

WORKSHEET 5.1.1

Name:_____ **Date:** _____

DIRECTIONS: Use the credit card statement to help answer the following questions.

1. Who is the owner of this account?
   _____
2. What is their credit limit? $ _____
3. What is their balance? $ _____
4. What is their minimum payment amount?
   $_____
5. When is the minimum payment due?
   _____
6. What is the interest rate on purchases?
   _____
7. What is their available credit?
   $_____
8. List three things to start doing to get out of financial trouble. _____
   _____
   _____
   _____
   _____
9. True or False? There is a quick fix to resolve financial problems. _____
10. Explain how to choose and contact a reputable debt counseling service.
   _____
   _____
   _____
   _____
   _____
   _____
   _____
   _____

CREDIT CARD STATEMENT

ACCOUNT SUMMARY

ACCOUNT NUMBER	NAME	OPENING/CLOSING DATE
4125-239-412	Ida Student	09/22/XX–10/21/20XX
	AVAILABLE CREDIT	NEW BALANCE
TOTAL CREDIT LINE	$4,837.00	$162.24
$5,000.00		**PAYMENT DUE DATE**
		11/18/20XX
		MINIMUM PAYMENT DUE
		$25.00

ACCOUNT ACTIVITY

TRANSACTION DATE	DATE POSTED	ACTIVITY SINCE LAST STATEMENT	AMOUNT
9/22		Payment - Thank You	-201.50
10/18		Payment - Thank You	-347.22
10/01	10/01	Record Recycle Anytown, USA	7.00
10/07	10/08	Costumes Plus Anytown, USA	71.99
10/10	10/10	Music Emporium Tinyville, USA	.99
10/19	10/20	Grocery Mart Anytown, USA	61.85
10/20	10/20	Books Plus Anytown, USA	3.99
10/20	10/21	Super Fuel Big City, USA	16.42

Previous Balance	(+)	$347.22
Payment, Credits	(-)	$347.22
Purchases	(+)	$162.24
Cash Advances	(+)	$0.00
Finance Charges	(+)	$0.00
Late Charges	(+)	$0.00
New Balance	(=)	$162.24

FINANCE CHARGE SUMMARY	PURCHASES	ADVANCES	CUSTOMER SERVICE
Annual Percentage Rate	13.24%	6.48%	1-800-xxx-xxxx
			FOR LOST OR STOLEN CARD
			1-800-xxx-xxxx

5 Using Credit

WORKSHEET
5.2.1

Name:_____ **Date:** _____

DIRECTIONS: Visit creditcards.org. Select your top three credit cards and answer the questions below.

1. Name of credit card:		
Intro-purchases (check one) ❒ Yes ❒ No	**Intro-balance transfer** (check one) ❒ Yes ❒ No	**Regular APR** %
Credit needed (check one) ❒ Excellent ❒ Good ❒ Fair ❒ Bad/No	**Annual fee** $	**Rewards expire?** (check one) ❒ Yes ❒ No

Other perks: _____

_____

_____

_____

2. Name of credit card:		
Intro-purchases (check one) ❒ Yes ❒ No	**Intro-balance transfer** (check one) ❒ Yes ❒ No	**Regular APR** %
Credit needed (check one) ❒ Excellent ❒ Good ❒ Fair ❒ Bad/No	**Annual fee** $	**Rewards expire?** (check one) ❒ Yes ❒ No

Other perks: _____

_____

_____

_____

3. Name of credit card:		
Intro-purchases (check one) ❒ Yes ❒ No	**Intro-balance transfer** (check one) ❒ Yes ❒ No	**Regular APR** %
Credit needed (check one) ❒ Excellent ❒ Good ❒ Fair ❒ Bad/No	**Annual fee** $	**Rewards expire?** (check one) ❒ Yes ❒ No

Other perks: _____

_____

_____

_____

5 Using Credit

WORKSHEET
5.2.2

Name:_____ **Date:** _____

DIRECTIONS FOR ESSAY: If you had to pick just one of the three credit cards you researched, which one would you select before moving onto the application process? Why did you choose this credit card over the others? How would you apply for this credit card (e.g., by phone, online, etc.)?

_____

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5 Using Credit

WORKSHEET
5.3.1

Name:_____ **Date:** _____

DIRECTIONS: Investigate higher education institutions you are interested in attending after high school. Select your top four schools and identify their annual costs in the chart below.

Institution 1		
Name:	**Estimated annual expenses**	
	Tuition	
	Fees	
Type of school (check one)	Books and supplies	
❒ Public ❒ Private ❒ Out-of-state	Housing	
Total annual costs* (use this number in Worksheet 5.3.2)		**$**

Institution 2		
Name:	**Estimated annual expenses**	
	Tuition	
	Fees	
Type of school (check one)	Books and supplies	
❒ Public ❒ Private ❒ Out-of-state	Housing	
Total annual costs* (use this number in Worksheet 5.3.2)		**$**

Institution 3		
Name:	**Estimated annual expenses**	
	Tuition	
	Fees	
Type of school (check one)	Books and supplies	
❒ Public ❒ Private ❒ Out-of-state	Housing	
Total annual costs* (use this number in Worksheet 3.3.2)		**$**

Institution 4		
Name:	**Estimated annual expenses**	
	Tuition	
	Fees	
Type of school (check one)	Books and supplies	
❒ Public ❒ Private ❒ Out-of-state	Housing	
Total annual costs* (use this number in Worksheet 5.3.2)		**$**

5 Using Credit

WORKSHEET
5.3.2

Name:_____ **Date:** _____

DIRECTIONS: Based on your top four schools from Worksheet 5.3.1, identify grants and scholarships you may qualify for and their amounts in the chart below.

Institution 1:	
Private/local aid	
	$
	$
	$
Institutional aid	
	$
	$
	$
State aid	
	$
	$
	$
Federal aid	
	$
	$
	$
Total you owe	
*Total annual costs	$
— Total aid	$
= Total you owe	$

Institution 2:	
Private/local aid	
	$
	$
	$
Institutional aid	
	$
	$
	$
State aid	
	$
	$
	$
Federal aid	
	$
	$
	$
Total you owe	
*Total annual costs	$
— Total aid	$
= Total you owe	$

Institution 3:	
Private/local aid	
	$
	$
	$
Institutional aid	
	$
	$
	$
State aid	
	$
	$
	$
Federal aid	
	$
	$
	$
Total you owe	
*Total annual costs	$
— Total aid	$
= Total you owe	$

Institution 4:	
Private/local aid	
	$
	$
	$
Institutional aid	
	$
	$
	$
State aid	
	$
	$
	$
Federal aid	
	$
	$
	$
Total you owe	
*Total annual costs	$
— Total aid	$
= Total you owe	$

5 Using Credit

WORKSHEET
5.3.3

Name:_____ **Date:** _____

1. Name the form that must be completed to apply for federal student aid and some state aid.

   _____

2. How often does this form have to be completed? _____

3. Explain the differences between loans, grants, and scholarships.

   _____
   _____
   _____
   _____
   _____
   _____
   _____

4. When a financial aid officer says to borrow only what you need, what does that mean?

   _____
   _____
   _____
   _____
   _____
   _____

5. Do you think you will need to take out student loans? Explain how student loans can affect your buying power.

   _____
   _____
   _____
   _____
   _____
   _____

6

Protecting & Insuring

People make choices to protect themselves from financial risk such as lost income, assets, health or identity. They can choose to accept risk, reduce risk, or share the risk with others. Insurance allows people to transfer risk by paying a fee now to avoid the possibility of a larger loss later. The price of insurance is influenced by an individual's circumstances and behavior.

Concept 1: Protecting Against Financial Risk by Insuring

A. Analyze the personal financial risks that can occur when unexpected events damage health, home, property, wealth, or future opportunities.
B. Explain how and why insurance companies create policies and determine premiums.
C. Analyze factors people use to choose insurance coverage.
D. Explain how personal behavior and risk impact insurance premiums.
E. Analyze health insurance options to provide funds in the event of illness and/or to pay for the cost of preventive care.

Concept 2: Protecting Personal Identity

A. Analyze federal and state regulations which provide some remedies and assistance for identity theft.
B. Analyze how individuals can protect themselves from others misusing personal information and from identity theft while online.
C. Discuss current ways to encounter cyber-attacks and protect personal information.

6 Protecting & Insuring

Analyze the personal financial risks that can occur when unexpected events damage health, home, property, wealth, or future opportunities.

Analyze factors people use to choose insurance coverage.

Analyze health insurance options to provide funds in the event of illness and/or to pay for the cost of preventive care.

Life is full of unexpected incidents. Even though you make attempts to plan for the unexpected, some risky situations cannot be avoided. In this case, an insurance plan allows you to share the financial burden in the event of damage or loss.

Persons who sell insurance are called insurance agents. They usually represent one or more companies and have the power to enter into, change, and cancel insurance policies on behalf of these companies. There are two types of insurance agents:

- **Independent** — agents who act as third-party links between people selling and buying insurance
- **Exclusive** — agents who represent only one insurance company selling a specific type of insurance

The form of insurance you are probably most familiar with is auto insurance. There are four different types of coverage:

- **Liability** — when you are held responsible for damage to the other driver's car.
- **Medical** — when you and/or your passenger(s) are injured in an accident regardless of who is at fault.
- **Protection against uninsured and underinsured drivers** — when the other driver does not carry insurance or enough insurance.
- **Physical damage** — when your car is damaged from a collision, theft, or something else.

It is important to shop carefully for auto insurance in order to keep your premiums as low as possible. Think about what kind of losses are likely to happen, and then determine the amount of coverage you will need. Be sure to take advantage of all discounts (e.g., student discounts) available to you.

Another form of insurance is homeowner's insurance. You will need this insurance whether you choose to own or rent your home. Three things to consider when purchasing homeowner's insurance are:

- How much coverage will you need to replace your home?
- How much coverage will you need to replace the contents of your home or personal property? (Both renters and homeowners need this coverage!)
- How much coverage will you need for liability?

Both auto and homeowner's insurance policies typically include a deductible amount. The deductible is the amount you would pay from your savings BEFORE insurance will kick in. When buying insurance you generally have a choice of deductible options, and the lower the deductible amount, the higher your premium. If you select a higher deductible amount, make sure you keep at least that amount in your savings account at all times.

6 Protecting & Insuring

Analyze federal and state regulations which provide some remedies and assistance for identity theft.

Analyze how individuals can protect themselves from others misusing personal information and from identity theft while online.

Discuss current ways to counter cyber-attacks and protect personal information.

Did you know that identity theft is the fastest growing crime in the United States? Perpetrators use someone else's personally identifying information to commit fraud, including borrowing money in another person's name. Victims of identity theft often face debt and credit problems that require extensive time and effort to sort out.

Millions of Americans have fallen victim to identity theft. The average high school student who is careless with personal information and unaware of credit changes can be an easy target for a would-be identity thief. Do not become a statistic!

The following can help keep your information safe:

- Protect your Social Security number. Do not carry your Social Security card in your wallet or write your Social Security number on a check. Give it out only if absolutely necessary. You can always ask to use another identifier.
- Do not give out personal information on the phone, through the mail, or over the Internet unless you know who you are dealing with.
- Never click on links sent in unsolicited email messages. Instead, type in a Web address you know.
- Shred pay stubs and paperwork with personal information before you discard them.
- Use firewalls, anti-spyware, and anti-virus software to protect your personal computer — and keep them up to date.
- Do not use an obvious password like your birth date, your mother's maiden name, or the last four digits of your Social Security number.
- Keep your personal information in a secure place.

Check your credit report at least once a year. Make sure the information is accurate and be sure to report information that is not.

Monitor your financial information. Review your various financial accounts and statements on a regular basis. Request a free copy of your credit report at *AnnualCreditReport.com* every year and review it.

Be alert for things that require immediate attention:

- Statements containing purchases you did not make
- Calls or letters about purchases you did not make
- Bills that do not arrive as expected
- Unexpected credit cards or account statements
- Denials of credit for no apparent reason

Act quickly when you suspect identity theft. Review the Federal Trade Commission's information on what to know and what to do in the case of identity theft at *ftc.gov/idtheft*.

The attorney general's office has set up a hotline to help you recognize and report identity theft. Complaint investigators also will help advise victims of identity theft.

To file an identity theft complaint or incident report, visit *ago.mo.gov/civil-division/consumer/identity-theft-data-security/identity-theft-complaint-form.*

6 Protecting & Insuring

WORKSHEET 6.1.1

Names of group members: _____ **Date:** _____

DIRECTIONS: Check the type of insurance your group will be investigating and watch the corresponding video to answer the questions.

❒ Homeowners/Renters ❒ Auto ❒ Health

Homeowners/Renter's insurance // *www.youtube.com/watch?v=8y23U2VkYDA*

1. If you are renting an apartment, what will the landlord's insurance cover? _____
2. What does renter's insurance cover? _____
3. Why is it important for college students to have renters insurance if they live away from home? _____
4. What is covered under the liability section of a renter's policy? _____
5. True or false: Renters insurance is very important but also very expensive. _____

Auto insurance // *www.youtube.com/watch?v=TmSpmoxHlio* and *www.youtube.com/watch?v=q35RzY8qtZg*

1. List the four different types of auto insurance coverages and explain each one. _____
2. Which type of auto insurance is required in Missouri and what is the minimum coverage? _____
3. What do you do if you have an accident? _____

Health insurance // *youtube.com/watch?v=DBTmNm8D-84*

1. What is a deductible? _____
2. What is the difference between in-network and out-of-network? _____
3. What does co-insurance or co-payment mean? _____
4. Describe the three stages of health insurance? _____

Preparing for the guest speaker // Use the back of your worksheet to:

- Take notes from the group presentations and videos.
- Write a question you would like to ask the insurance agents when they visit your classroom.

WORKSHEET
6.1.2

Name:_____ **Date:** _____

Presenter 1

1. What is the presenter's name?_____
2. In what kind of insurance do they specialize? _____
3. Identify five facts you learned from their presentation:

_____
_____
_____
_____
_____

Presenter 2

1. What is the presenter's name?_____
2. In what kind of insurance do they specialize? _____
3. Identify five facts you learned from their presentation:

_____
_____
_____
_____
_____

7

Financial Investing

Financial investment is the purchase of financial assets to increase income or wealth in the future. Investors choose among investments that have different risks and expected rates of return. Investments with higher expected rates of return tend to have greater risk. Diversification of investment among a number of choices can lower investment risk.

Concept 1: Investment Instruments

A. Compare various financial assets for their risk and rewards such as stocks, bonds, mutual funds, real estate, and commodities.
B. Explain the impact of capital gains, dividends, risk, and stock value on corporate stock ownership.
C. Explain how the price of a financial asset is determined by the interaction of buyers and sellers in a financial market.

Concept 2: The Relationship between Risk and Reward

A. Explain how the rate of return earned from investments will vary according to the amount of risk.
B. Explain how the rates of return on financial assets are influenced by buyers and sellers in financial markets.
C. Explain why an investment with greater risk, such as a penny stock, will commonly have a lower market price, but an uncertain rate of return.
D. Explain the risks and rewards of short term and long-term investments.
E. Describe how diversification can lower investment risk.

7 Financial Investing

Compare various financial assets for their risk and rewards such as stocks, bonds, mutual funds, real estate, and commodities.

Explain how the rate of return earned from investments will vary according to the amount of risk.

Describe how diversification can lower investment risk.

Make wise investments. As you grow more comfortable with managing your finances, you may want to consider investing a portion of your income. Learning how to invest your earnings wisely can be difficult to comprehend. With a firm understanding of return, risk, liquidity, manageability, and tax aspects, you may be able to put your money in a position where it can work wonders in the investment world. Additionally, it is important to be fully aware of your own situation, such as your current and future financial needs, and how much risk you can tolerate.

Investment risks are associated with knowing what kind of return your investment will produce. Generally, the greater the risk, the higher the potential return. There are three types of investment philosophies:

- Conservative
- Moderate
- Aggressive

A conservative investor accepts very little risk because they do not want to lose any of the money they have invested. Conservative investors are usually rewarded with a relatively low rate of return and typically invest in Treasury bills, notes, and bonds. These forms of investments are insured by the United States government. Conservative investors may also consider municipal bonds, blue-chip corporate bonds and stocks, balanced mutual funds, certificates of deposit, and annuities.

A moderate investor is investing for the long term and accepts a fair amount of risk. They seek capital gains through slow and steady growth. The moderate investor spreads their investment funds among several choices and trades assets no more than once a year. They will also consider investing in dividend-paying common stocks, growth and income mutual funds, blue-chip corporate bonds, government bonds, and real estate.

An aggressive investor accepts a high level of risk because they want a very high return. They put their money in short-term investments, hoping to produce a quick return. Aggressive investors tend to invest in common stocks of new or fast-growing companies, high-yielding junk bonds, and aggressive-growth mutual funds. These investments may include limited real estate partnerships, undeveloped land, precious metals, gems, commodity futures, stock-index futures, and collectibles. To be an aggressive investor, you must be emotionally and financially able to weather substantial short-term losses.

To help determine your investment needs and which level of risk is best suited to you, ask yourself some of these questions:

- How much money do I have to invest? And how often will I be able to contribute more to my investments?
- What current bills and debts do I have that might affect my short-term and long-term financial needs?
- How liquid do I need my investments to be?
- What are my future lifestyle expectations compared to my current spending habits?
- If any of my investments might become losses, how would that impact my financial stability?

Whether or not your assets are liquid is determined by how quickly they can be turned into cash. For example, you can withdraw cash from your savings account immediately. However, when you sell your stocks or bonds, it could take up to four days to have the cash in your hand.

When managing your investments, the goal is to maximize interest earnings and minimize fees while keeping funds safe and readily available for living expenses, emergencies, and saving and investment opportunities. Successful monetary asset management allows you to earn interest on your money while maintaining reasonable liquidity and safety.

When deciding how to invest your money, one objective should be to earn the best after-tax return. This is the net amount earned on an investment after payment of income taxes. When deciding to invest in tax-free opportunities, you should compare the yields available and your marginal tax rate. All capital gains and losses must be reported on your tax return. There is no tax liability on capital gains until the investment is sold.

7 Financial Investing

Explain how the price of a financial asset is determined by the interaction of buyers and sellers in a financial market.

The process of buying and selling securities is fairly simple; it only takes a phone call to a brokerage firm or mutual fund company. Most transactions can be carried out via telephone, Internet, or mail. A brokerage firm specializes in facilitating the purchase and sale of stocks, bonds and mutual fund shares. For a trade to take place, the broker will find a buyer and seller that agree on a price.

The New York Stock Exchange and the American Stock Exchange are the two most recognized exchanges. Only brokerage firms that are members of each stock exchange can trade securities on their trading floors. Seats are purchased, giving brokers the legal right to buy and sell securities on the exchange floor.

So, you call your brokerage firm and issue a buy order. Your broker contacts the person on the floor of the exchange who handles that particular stock and the order is filled, either by taking shares from their own inventory or by matching it with another investor's sell order. Likewise, if you issue an order to sell, your broker will contact the person on the floor of the exchange, and they will either buy the stock you want to sell or find another investor willing to buy it.

Visit your local public library or the nearest law or business school library to find materials containing information about investment companies. Utilize resources available from the secretary of state's office, which is responsible for protecting Missouri investors from fraud through the securities division. Visit *sos.mo.gov* to research investment advisors and more. You can also access commercial databases for more information about a company's history, management, products or services, revenues, and credit ratings. The United States Securities and Exchange Commission (*sec.gov*) cannot recommend or endorse any particular research firm, its personnel, or its products. Remember to ask your librarian about additional resources. For additional information, you may consult the following commercial resources:

- Bloomberg, Dun & Bradstreet
- Hoover's Profiles
- Lexis-Nexis
- Standard & Poor's Corporate Profiles

Financial Investing

Explain the risks and rewards of short-term and long-term investments.

Building real wealth, however, requires additional planning. The difference in the rate of return is the main difference between saving and investing. If you learn how to be a successful investor, you may be able to live off the earnings of your investments without spending your initial funds. The most popular investing vehicles are stocks, bonds, and mutual funds.

When talking to an investment professional, remember, they advise — you make the decision. You are paying them for advice and the ability to teach you enough to make smart decisions about your investments. Do not hand over this responsibility just because they are a professional. Retain ownership and responsibility for all final decisions. Only invest when you can easily explain how the investment works. If you cannot communicate easily with your financial advisor, find one that does a better job of explaining the investment process, its risks and potential rewards. Take your time and make wise decisions. Visit *DaveRamsey.com* for more information. Here are some of the questions you should always ask when hiring any financial professional:

- What experience do you have especially with people in my circumstance?
- Where did you go to school? What is your recent employment history?
- What licenses do you hold? Are you registered with the SEC, a state, or the FINRA?
- What products and services do you offer?
- Can you only recommend a limited number of products or services to me? If so, why?
- How are you paid for your services? What is your usual hourly rate, flat fee, or commission?
- Have you ever been disciplined by any government regulator for unethical or improper conduct or been sued by a client who was not happy with the work you did?
- For registered investment advisers, will you send me a copy of both parts of your Form ADV? (Form ADV is the standardized form used by investment advisers to register with both the SEC and state securities authorities.)

Be sure to meet potential advisers in person to make sure you get along. And remember, there are many types of individuals who can help you develop a personal financial plan and manage your hard-earned money. The most important thing is that you know your financial goals, have a plan in place, and verify your chosen investment professional's credentials with your securities regulator. Visit *sec.gov/investor/pubs/invadvisers.htm* for more information.

Finanical Investing

WORKSHEET
7.1.1

Name:_____ **Date:** _____

1. Name three mutual funds:_____
_____
_____

2. What is the difference between mutual funds and stocks? _____
_____
_____
_____

3. If you had $10,000 to invest, how would you invest it? Why?_____
_____
_____
_____

4. What is diversification? _____
_____
_____
_____

Notes from guest speakers: _____
_____
_____
_____
_____
_____
_____
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Learn to use Financial Calculators

Everyone's financial situation is unique and, for you, it may seem like too much information to keep track of. Breaking down the best options for your personal goals can be overwhelming. Below is a list of easy-to-use calculators to assist you in your plan to better manage your money.

Budget calculator
mappingyourfuture.org/money/budgetcalculator.cfm
Developing a spending and savings plan can help you live within your means and plan for the future. Use the budget calculator to take an objective look at your income and expenses, and create a plan that will best help you meet your financial goals.

Savings calculator
mappingyourfuture.org/money/savingscalculator.cfm
Visualizing regular saving habits and the accumulation of interest will show you just how valuable saving can be. It is as simple as entering the amount of your initial deposit, the amount you plan to save each month, the anticipated interest rate, and the number of years your savings will be on deposit. The savings calculator will then show you how much your account will be worth in the future, including the amount of interest earned.

Student loan debt/salary wizard
mappingyourfuture.org/paying/debtwizard
Understanding how much you can afford to borrow in student loans will help you make smart financial decisions you can live with after you graduate. Based on the recommendation that your student loan payment should be no more than 8 percent of your gross earnings, this interactive calculator will help you determine:

- How much you can afford to borrow in student loan funds based on your future expected earnings.
- The salary you will need in order to afford your student loan payments.

Managing your accounts online
mint.com
personalcapital.com
Learning how to balance, or reconcile, your financial accounts on a monthly basis is one of the best money management habits you can practice. Online tools bring all your financial accounts together online, automatically categorize your transactions, let you set budgets, help you achieve financial goals, and let you customize electronic alerts linked to your financial account.

Keeping your accounts balanced:
- Helps you keep track of your money.
- Verifies the information you have tracked is accurate.
- Catches any mistakes your bank may have made.

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