Smart About Spending

Teacher's Guide

DEPARTMENT OF
HIGHER EDUCATION &
WORKFORCE DEVELOPMENT

Smart decisions start with smart resources

Financial literacy is one of the most important lessons your students will learn. With so much to consider and their future at stake, students need financial tools they can use throughout their lifetime. Use these lesson plans, worksheets, and assessments to guide your students through the Missouri personal finance course level expectations.

Teaching personal finance

The senior class of 2010 became the first to graduate with the personal finance requirement.

To offer guidance to those educational professionals charged with teaching the personal finance course, the Missouri Department of Higher Education & Workforce Development created this resource to be used in conjunction with the *Smart About Spending Student Workbook*, which can be ordered free of charge for Missouri students. Lesson plans and worksheets have been created so personal finance teachers can assist their students in making sound financial decisions throughout high school and beyond.

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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.

Financial Decision Making

ACTIVITY
1.1

Evaluate the role of choice in decision making.

Apply a rational decision making process to satisfy wants.

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.

Purpose and description

The purpose of this lesson is to help students understand the concept of opportunity cost and the consequences associated with spending choices they make.

Objectives

At the end of this lesson, students will be able to:

1. Clearly explain the concept of opportunity cost
2. Articulate the future impact of today's financial choices
3. Distinguish between "needs" and "wants"

Required resources

Each student should have a copy of the *Smart About Spending Student Workbook*.

1. Worksheet 1.1.1
2. Worksheet 1.1.2
3. Worksheet 1.1.3
4. Definitions for "needs" and "wants," located in the "Terms you should know" section

Required Class Time

Two (60 minutes) class periods
120 minutes total

Assignment

Section 1: Financial Decision Making
Worksheet 1.1.3

Procedure

Day 1

1. Ask students to review their *Smart About Spending Student Workbook*, Section 1: Financial Decision Making.
2. Direct students to Worksheet 1.1.1 and review instructions with the class.
3. Advise students to complete the worksheet individually.
4. As a class, discuss some of the choices students made when completing the worksheet. Inquire about individual opportunity costs as a result of these decisions.

Day 2

5. Direct students to Worksheet 1.1.2 and review instructions with the class.
6. Advise students to complete the worksheet individually.
7. As a class, discuss some of the choices students made when completing the worksheet. Inquire about individual opportunity costs as a result of these decisions.

Assessment

1. Ask students to complete and turn in Worksheet 1.1.3.
2. File the worksheets behind Section 1: Financial Decision Making, in the *Smart About Spending Student Workbook*.

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

ACTIVITY
2.1

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

Purpose and description

This lesson is designed to help students realize the economic impact career choice will have on their lives as Missouri citizens. Students will also explore what training or education is needed to accomplish their career and personal goals.

Objectives

At the end of this lesson, students will be able to:

1. Locate their chosen profession's regional annual wage
2. Determine the cost, education, and/or training necessary for their chosen profession
3. Determine if the starting salary will be adequate to cover their student loan payment
4. Evaluate how much income can be acquired within 25 years of employment
5. Explore various career and salary options

Required resources

Each student should have a copy of the *Smart About Spending Student Workbook*.

1. Worksheet 2.1.1
2. Worksheet 2.1.2
3. Computer lab with Internet access
4. Top 30 Employing Occupations in Missouri chart, located in the *Smart About Spending Student Workbook*
5. Missouri's Top Job Grade graphs, located in the *Smart About Spending Student Workbook*
6. Missouri Department of Higher Education & Workforce Development's *The Missouri Source*

Required class time

Three (60 minutes) class periods
180 minutes total

Assignment

Section 2: Earning Income
Worksheet 2.1.1
Worksheet 2.1.2

Procedure

<u>Day 1</u>

1. Ask students to read their *Smart About Spending Student Workbook*, Section 2: Earning Income.
2. Ask students to review Missouri's Top Job Grade graphs.
3. Compare Missouri's Top Job Grade A, B, and C graphs with the Top 30 Employing Occupations in Missouri chart.
4. Break the classroom up into groups of three or four students. Instruct each group to discuss the following questions:
   a. What does this say about the job market?
   b. Are the salaries higher or lower than you expected?
   c. Does this have an impact on your career choice?
   d. Why do you think the top 30 employing occupations exist in the order they do?
   e. What impact, if any, does this have on your plans for a post-secondary education and the school you will attend?
   f. What impact, if any, does this have on your plans to move out on your own?
5. As a class, share what students discussed in groups.

Day 2

6. Ask students to select a profession or career.
7. Direct students to Worksheet 2.1.1.
8. Go to the computer lab.
9. Log on to *https://meric.mo.gov/workforce-research/occupational-employment-wages.* Have students research their profession's wage based on the area where they live. Advise students to enter the annual wage for their chosen profession on the worksheet.
10. Have students research what education or training is needed for their chosen profession. Suggest that students log on to *https://scorecard.mo.gov/* or interview professionals they may know to complete this task.
11. Have students research how much education or training may cost at a variety of schools (e.g., 2-year, 4-year, public, and private, etc.). Have students search the schools' websites for information regarding annual tuition and fees. Refer students to the Missouri College and Degree Search (*collegesearch.mo.gov*).
12. To research paying for a post-secondary education, refer students to *The Missouri Source* or the Journey to College student website (*journeytocollege.mo.gov*).
13. Have students complete all exercises on the worksheet.

Day 3

14. Direct students to Worksheet 2.1.2
15. Group students into similar professions. Advise students to compare and contrast their findings (e.g., costs related to different types of schools). The group will then present to the class the certificate or degree required, length of program, educational or training expenses, annual salary, and how much they will earn after working in the field 25 years. Groups should also share what exact education or training they will undergo, the names of schools they plan to attend, and why they selected those particular schools.

Assessment

1. Ask each student to complete the "Personal reflection" portion of this activity and turn in Worksheet 2.1.2.
2. After reviewing Worksheet 2.1.2, return and have students file it along with Worksheet 2.1.1 behind Section 2: Earning Income, in the *Smart About Spending Student Workbook*.

2 Earning Income

ANSWER KEY
2.1.1

Name:_____ **Date:** _____

1. What is your desired career or profession? _____

2. What is your annual wage? _____
   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 College and Degree Search (*collegesearch.mo.gov*).
   $_____ (annual cost) x _____ (number of years you will attend) = $ _____ (total)
   $_____ (annual cost) x _____ (number of years you will attend) = $ _____ (total)
   $_____ (annual cost) 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: ***$27,000***
   B. Your total interest costs: ***$10,286.02***
   C. Total cost of education or training: ***$37,286.02***
   D. Monthly payment: ***$310.71***
   E. Minimum annual salary to handle these payments: ***$46,607*** ***Answers will vary depending on their chosen profession***

   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? _____
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2 Earning Income

ACTIVITY
2.2

Compare gross and net income.

Purpose and description
The purpose of this lesson is to educate students on the most common paycheck deductions.

Objectives
At the end of this lesson, students will:
1. Know the definition of disposable income
2. Know the most common paycheck deductions and taxes
3. Understand the reason for common paycheck deductions

Required resources
Each student should have a copy of the *Smart About Spending Student Workbook*.
1. Worksheet 2.2.1
2. Assessment 2.2.2
3. Computer lab with Internet access

Required class time
Two (60 minutes) class periods
120 minutes total

Assignment
Section 2: Earning Income
Worksheet 2.2.1

Procedure
Day 1
1. Ask students to review their *Smart About Spending Student Workbook*, Section 2: Earning Income.
2. Go to the computer lab.
3. Visit *mappingyourfuture.org/Money/income.cfm* to complete Worksheet 2.2.1.

Day 2
4. Have students trade their completed worksheet with a classmate and discuss the correct answers as a class.
5. Collect graded worksheets.

Assessment
1. Direct students to Assessment 2.2.2 and have them complete it.
2. Grade the assessment and have students file it along with the worksheet behind Section 2: Earning Income, in the *Smart About Spending Student Workbook*.

Notes to instructor
Encourage students with jobs to bring in their pay stubs. Break the classroom up into groups and have students identify the following items and amounts:
a. Gross pay
b. Net pay
c. Federal Insurance Contributions Act Tax (FICA)
d. Current earnings
e. Year-to-date earnings
f. Federal income tax
g. Missouri income tax
h. Pay rate

2 Earning Income

ANSWER KEY
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. *Gross pay is your pay rate multiplied by your hours worked. Net pay is the amount of money you actually receive after deductions.*

2. How much is Ida's current gross pay? $ *128*

3. How much is Ida's current net pay? $ *105.85*

4. FICA tax is also known as *Social Security tax*.

5. How much FICA has Ida paid this year so far? $ *95.28*

6. Name three other possible deductions:
Retirement contributions; Insurance; Cafeteria or FLEX plan; Wage garnishment; Any other agreed automatic withholdings

7. How much in deductions did Ida pay this month? $ *22.15*.

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

2 Earning Income

ASSESSMENT KEY
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:
   $ *1,707.00*
2. Current net pay amount:
   $ *1,147.55*
3. Current Medicare Tax amount:
   $ *21.23*
4. Year-to-date (YTD) gross wages:
   $ *39,261.00*
5. Current federal income tax amount:
   $ *160.37*
6. Current state income tax amount:
   $ *32.00*
7. Current FICA (Social Security) amount:
   $ *61.49*

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 and Services

ACTIVITY
3.1

Analyze spending habits to recognize current spending and saving trends.

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

Purpose and description

The purpose of this lesson is to learn the basics of living on a budget.

Objectives

At the end of this lesson, students will be able to:

1. Track their expenses and live within their means

Required resources

Each student should have a copy of the *Smart About Spending Student Workbook*.

1. Worksheet 3.1.1
2. Worksheet 3.1.2
3. Computer lab with Internet access

Required class time

One (60 minutes) class period

Assignment

Section 3: Buying Goods and Services
Worksheet 3.1.2

Procedure

Day 1

1. Ask students to read their *Smart About Spending Student Workbook*, Section 3: Buying Goods and Services.
2. Assign each student an annual salary.
3. Ask students to determine their monthly income, both gross and net amounts.
4. Direct students to Worksheet 3.1.1, showing high, middle, and low monthly expenses (e.g., rent/house payment, utilities, phone, Internet, cable, car payment, entertainment, credit card payments, student loan payments, etc.).
5. Ask students to create a monthly budget using Worksheet 3.1.2 with the assigned salary and choosing from the high, middle, or low monthly expenses.
6. As a class, discuss who was able to live within their means.
7. Go to the computer lab.
8. Have students use Reality Check in Missouri Connections to determine what lifestyle they can afford. (*missouriconnections.org*)

Assessment

1. Review and discuss worksheets. Ask students what lessons they learned about income and expenses. Look for students to state these answers: “live within my means” and “cannot have more expenses than my income.”
2. File behind Section 3: Buying Goods and Services, in the *Smart About Spending Student Workbook*.

Notes to instructor

If your school participates in Missouri Connections (*missouriconnections.org*), have students login using their username and password, otherwise login as a guest.

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, Flat-screen TV with surround sound

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		

3 Buying Goods & Services

ACTIVITY
3.2

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

Purpose and description

The purpose of this lesson is to educate students on agencies that regulate financial markets at both the state and national levels.

Objectives

At the end of this lesson, students will be able to:

1. Identify the state agencies involved in regulation and protection (and name the current Missouri secretary of state and attorney general)
2. Identify the federal agencies involved in regulation and protection

Required resources

Each student should have a copy of the *Smart About Spending Student Workbook*.

1. One copy of the attorney general's *Student Consumer Guide* (*ago.mo.gov/docs/default-source/publications/studentguide.pdf*)
2. One copy of *Investment Tips* (*sos.mo.gov/securities/pubs/investment_tips.asp*)
3. Computer lab with Internet access

Required class time

Two (60 minutes) class periods
120 minutes total

Assignment

Section 3: Buying Goods & Services

Procedure

Day 1

1. Ask students to review their *Smart About Spending Student Workbook*, Section 3: Buying Goods & Services.
2. Have representatives from the securities division for the Office of the Missouri Secretary of State and the consumer protection division for the Office of the Missouri Attorney General come and speak to the class.
3. Distribute copies of the *Student Consumer Guide* and *Investment Tips* to each student.

Day 2

4. Go to the computer lab.
5. Have students visit *sipc.org, finra.org,* and *nasaa.org*.

Assessment

1. Ask students to write a summary of the presentations and the Internet search telling how this will protect them in the future.
2. File the publications and summary behind Section 3: Buying Goods & Services, in the *Smart About Spending Student Workbook*.

Notes to instructor

You may order paper copies of the *Student Consumer Guide* at *ago.mo.gov/other-resources/publications/order-publications*.

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

ACTIVITY
4.1

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

Develop a savings plan.

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

Purpose and description

The purpose of this lesson is to teach the importance of saving for the future or unexpected events.

Objectives

At the end of this lesson, students will be able to:

1. Identify various methods of saving (e.g., savings account or money market)

Required resources

Each student should have a copy of the *Smart About Spending Student Workbook*.

1. Worksheet 4.1.1
2. Computer lab with Internet access

Required class time

Two (60 minutes) class periods
120 minutes total

Assignment

Section 4: Saving
Worksheet 4.1.1

Procedure

Day 1

1. Ask students to read their *Smart About Spending Student Workbook*, Section 4: Saving.
2. Direct students to Worksheet 4.1.1 and ask them to fill it out as you speak.
3. Ask students if they have a savings account. Are they familiar with their interest rate?
4. Have students take notes as you discuss the following:
   a. How savings can be categorized in four ways:
      i. Savings from a paycheck deposited directly into a savings account
      ii. Savings as a fixed expenditure
      iii. Savings as a variable expenditure
      iv. Savings as what is left over after all other expenditures are paid
   b. Ask students what the benefits are of paying yourself first. Answer: If you rely on either of the last two methods of saving, you might not save at all. Therefore, determining how much you will save each month and working it into your budget will ensure that your savings will grow.
   c. Discuss the advantages of having a savings account:
      i. Readily accessible source of emergency cash
      ii. Temporary holding place for funds in excess of those needed for daily living expenses
      iii. Process for opening a savings account is similar to opening a checking account
      iv. Freedom to make as many deposits or withdrawals as you want as long as your minimum balance is maintained
      v. Transactions can usually be made through an ATM.

d. Ask students to explain the relationship between saving and investing.
   i. You will earn interest on money you deposit in a savings account; however, the interest rate is usually very low. Longer-term savings instruments usually pay a higher rate of return.
   ii. Money market accounts pay a somewhat higher rate of return than savings accounts. They offer limited check-writing privileges. Money market accounts are offered by banks, savings and loans, credit unions, stock brokerage firms, financial services companies and mutual funds.
   iii. To make your money work for you requires investing long term. Determine what your goals are for investing (e.g., down payment on a home, early retirement, etc.).

5. Research interest rates for savings accounts and money markets via the Internet or advertisements.

Day 2

6. Have representatives from two different banks come and speak to the class.
7. Ask guest speakers to talk about their current savings accounts and what related products they have to offer.
8. As your guests speak, have the class complete Worksheet 4.1.1. Provide opportunities for students to ask questions.

Assessment

1. Have students write a reflection about which bank they would select to service their savings account and why.
2. File Worksheet 4.1.1 and the reflection behind Section 4: Saving, in the *Smart About Spending Student Workbook*.

4 Saving

ANSWER KEY
4.1.1

Name:_____ **Date:** _____

1. What are the four ways to save? *1. Savings from a paycheck deposited directly to a savings account*
   2. Savings as a fixed expenditure
   3. Savings as a variable expenditure
   4. Savings as what is left over after all other expenses are paid

2. What are the benefits of paying yourself first? *If you rely on either of the last two methods of saving, you might not save at all. Therefore, determining how much you will save each month and working it into your budget will ensure that you pay yourself first and that your savings continues to grow.*

3. What advantages does a savings account offer? *Readily accessible source of emergency cash; Temporary holding place for funds in excess of those needed for daily living expenses; You may make as many deposits or withdrawals as you want as long as your minimum balance is maintained; Transactions can usually be made through an ATM*

4. Name three avenues for investing: *Mutual funds; Stock Market; Bonds*

5. How much is the current interest rate on savings accounts? _____%
   Students should get the answer from their guest speakers or individual research.

6. How much is the current interest rate on money markets? _____%
   Students should get the answer from their guest speakers or individual research.

Notes from guest speakers: _____

ACTIVITY
4.2

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

Purpose and description
The purpose of this activity is to help students better understand the Rule of 72 and simple vs. compound interest.

Objectives
At the end of this lesson students will be able to:
1. Calculate how long it will take to double their investment; and determine what interest rate will be needed in order to double their investment for a specified number of years.
2. Calculate simple interest and compound interest.

Required resources
Each student should have a copy of the *Smart About Spending Student Workbook*.
1. Worksheet 4.2.1
2. Calculator

Required class time
One (60 minutes) class period

Assignment
Section 4: Saving
Worksheet 4.2.1

Procedure
1. Ask students to review their *Smart About Spending Student Workbook*, Section 4: Saving.
2. Ask students to complete Worksheet 4.2.1.

Assessment
1. Grade worksheet
2. File worksheet behind Section 4: Saving, in the *Smart About Spending Student Workbook*.

Notes to instructor
i — interest
p — principal
r — rate
t — time
a — final amount
n — number of times per year interest is compounded

Simple interest formula: $i = prt$

Compound interest formula: $a = p\,(1 + r/n)nt$

Rule of 72: 72 ÷ interest rate as whole number
e.g., if interest rate is 4 percent, it would take 18 years to double your principal (72 ÷ 4 = 18).

4 Saving

ANSWER KEY
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?
   $600

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? *$7,500*

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.) *$1,050.63*

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? *$1,276.92*

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? *24 years*
   B. How long would it take to double your investment with an interest rate of 11.75 percent?? *6.1 years*
   acceptable answer: a little over six years

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

ACTIVITY
5.1

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

Explain responsibilities associated with the use of credit.

Purpose and description
The purpose of this lesson is to learn the basics of establishing and maintaining credit.

Objectives
At the end of this lesson, students will be able to:
1. Read a credit card statement
2. Take the appropriate steps if they find themselves in financial trouble

Required resources
Each student should have a copy of the *Smart About Spending Student Workbook*.
1. Assessment 5.1.1
2. Computer lab with Internet access

Required class time
Three (60 minutes) class periods
180 minutes total

Assignment
Section 5: Using Credit

Procedure
Day 1
1. Provide a sample of a credit card statement (*aie.org/managing-your-money/how-to-track-your-money/reading-credit-card-statement/*).
2. Using the sample credit card statement, discuss where to find the following:
   a. Account number
   b. Credit limit
   c. Balance
   d. Available credit
   e. Minimum payment due
   f. Due date
   g. Activity
   h. Interest rate
3. Have students research what to do if their credit card is lost or stolen.

Day 2
4. Discuss steps to take in case of financial trouble. Please use the following talking points and ask students to take notes:
   a. Stop making new charges and pay with cash
   b. Set priorities and find ways to increase income and cut expenses
   c. Pay more than the minimum balance if possible
   d. Transfer balances to a lower interest rate credit card
   e. Contact your lender and try to negotiate a lower interest rate
5. Discuss how to choose and contact a reputable debt counseling service (*consumer.ftc.gov/articles/0153-choosing-credit-counselor*).

Day 3: Assessment
1. Direct students to Assessment 5.1.1.
2. Have students complete the assessment with the notes from Activity 5.1.
3. Collect and grade the assessment.
4. File the assessment and notes behind Section 5: Using Credit, in the *Smart About Spending Student Workbook*.

Notes to instructor
Adventures in Education (*aie.org/managing-your-money/how-to-track-your-money/reading-credit-card-statement/*) has a mouse-over feature that shows the different parts of a credit card statement.

5 Using Credit

ANSWER KEY
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?
   Ida Student
2. What is their credit limit? $ *5,000.00*
3. What is their balance? $ *162.24*
4. What is their minimum payment amount?
   $*25.00*
5. When is the minimum payment due?
   11/18/20XX
6. What is the interest rate on purchases?
   13.24%
7. What is their available credit?
   $*4,837.00*
8. List three things to start doing to get out of financial trouble. *Stop making new charges and pay with cash; Set priorities and find ways to increase income and cut expenses; Pay more than the minimum balance if possible; Transfer balances to a lower interest rate credit card; Contact your lender and try to negotiate a lower interest rate*
9. True or False? There is a quick fix to resolve financial problems. *False*
10. Explain how to choose and contact a reputable debt counseling service.
    Answers should include but are not limited to the following: Look for a nonprofit debt counseling service; Check with the Better Business Bureau or the Office of the Missouri Attorney General; Check with your employer or credit union; Verify membership status with national organizations; Avoid agencies that charge large fees; Avoid agencies that claim to be able to repair your credit quickly

CREDIT CARD STATEMENT

ACCOUNT SUMMARY

ACCOUNT NUMBER
4125-239-412

TOTAL CREDIT LINE
$5,000.00

NAME
Ida Student

AVAILABLE CREDIT
$4,837.00

OPENING/CLOSING DATE
09/22/XX–10/21/20XX

NEW BALANCE
$162.24

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

ACTIVITY
5.2

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.

Purpose and description
The purpose of this lesson is to teach students the relevance of credit cards.

Objectives
At the end of this lesson, students will be able to:
1. State the purpose of a credit card
2. Know how to apply for a credit card
3. Find the credit card that is best suited for them

Required resources
Each student should have a copy of the *Smart About Spending Student Workbook*.
1. Worksheet 5.2.1
2. Worksheet 5.2.2
3. Computer lab with Internet access

Required class time
One (60 minutes) class period
60 minutes total

Assignment
Section 5: Using Credit
Worksheet 5.2.1
Worksheet 5.2.2

Procedure
1. Ask students to review their *Smart About Spending Student Workbook*, Section 5: Using Credit.
2. Break the class into small groups.
3. Have each group write down three pros and cons of having a credit card. Ask the groups to share their pros and cons list with the rest of the class.
4. Direct students to Worksheet 5.2.1.
5. Go to the computer lab.
6. Ask students to visit *creditcards.org*.
7. Using the worksheet, have each student select their top three credit cards.

Assessment
1. Have students complete Worksheet 5.2.2 about their top credit card pick. This essay should explain the application process and why they selected this credit card over others.
2. File worksheets behind Section 5: Using Credit, in the *Smart About Spending Student Workbook*.

Notes to instructor
1. **Intro-Purchases**: Some credit cards may give you a better APR for a certain amount of time or with your first purchase. After the time has expired or you have made your first purchase, the APR may increase.
2. **Intro-Balances**: Some companies may offer lower or 0 percent interest on any credit card balance you transfer from a different account. After the specified time has elapsed, the APR will increase.

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

ACTIVITY
5.3

Evaluate the options for financing higher education.

Purpose and description
The purpose of this lesson is to help students understand the various ways in which they can fund their education beyond high school.

Objectives
At the end of this lesson, students will:
1. Know how to apply for federal and state aid grant programs and student loans (Free Application for Federal Student Aid)
2. Understand the difference between loans and gift aid (grants and scholarships)
3. Be familiar with state assistance programs and the various eligibility requirements
4. Understand the difference between subsidized and unsubsidized loans
5. Know how to reject loan funds
6. Understand how student loans can affect one's credit and potential buying power

Required resources
Each student should have a copy of the *Smart About Spending Student Workbook*.
1. Worksheet 5.3.1
2. Worksheet 5.3.2
3. Assessment 5.3.3
4. One copy of the Missouri Department of Higher Education & Workforce Development's *The Missouri Source**
5. One copy of the U.S. Department of Education's *Do You Need Money for College? Federal Student Aid at a Glance* (*(https://studentaid.gov/sites/default/files/do-you-need-money.pdf*)
6. One copy of the Missouri Department of Higher Education & Workforce Development's *Planning for Financial Success**
7. Computer lab with Internet access

Required class time
Four (60 minutes) class periods
240 minutes total

Assignment
Section 5: Using Credit
Worksheet 5.3.1
Worksheet 5.3.2

Procedure
<u>Day 1</u>
1. Ask students to review their *Smart About Spending Student Workbook*, Section 5: Using Credit.
2. Have each student complete Worksheet 5.3.1 by investigating what school they are interested in attending.
   a. Go to the computer lab.
   b. Have students pick four postsecondary institutions to investigate. Students may use *journeytocollege.mo.gov/plan/college-and-degree-search/* if they need guidance.
   c. Look up program/institution costs.

<u>Day 2</u>
3. Discuss with the class the difference between a loan and gift aid.
4. Distribute *Planning for Financial Success* and read over pages 4–8 as a class.
5. Direct students to Worksheet 5.3.2 to record today's findings in the "Federal aid" and "Institutional aid" sections.
6. Distribute *Do You Need Money for College* and discuss for which federal programs students may qualify.
7. Go to the computer lab.
8. Identify sources of institutional aid available and approximate amounts.

Day 3

9. Have students record today's findings in the "State aid" section of the worksheet.
10. Distribute *The Missouri Source*. Have students read over the publication.
11. Go to the computer lab.
12. Visit the Journey to College website (*journeytocollege.mo.gov/pay/state-financial-aid)*. Have students read about state financial aid. Advise students to write down the programs and amounts they may be eligible for during the current academic year.
13. Have students complete the worksheet. Have students double check their math to make sure they calculated the "Total you owe" section correctly.
14. Discuss how the "Total you owe" will need to be paid out of pocket.

Day 4: Assessment

1. Return the worksheets to students.
2. Divide students into groups and have them compare their findings. What was the most and least expensive school, and why? What financial aid would they potentially receive?
3. As a class, discuss the results of their findings. Were there any surprises? Is education more or less expensive than they imagined?
4. Direct students to Assessment 5.3.3. Have students complete the assessment using the publications as a guide.
5. Review and grade the assessment.
6. File all publications, research, worksheets and assessment from Activity 5.3 behind Section 5: Using Credit, in the *Smart About Spending Student Workbook*.

Notes to instructor

1. All postsecondary institutions are required to have a net price calculator available on their website. This tool should be used to calculate the actual cost of attending an institution. Instruct students to find this calculator when looking up program/institution costs. Identifying available funding sources for college can be complex. It is of critical importance that students have a basic understanding of available aid and, if they do not, they are able to find the resources they need.
2. *Missouri Department of Higher Education & Workforce Development printed publications can be ordered free of charge (*dhewd.mo.gov/publications.php*).
3. The Missouri Department of Higher Education & Workforce Development offers free in-person workshops about planning and paying for college for Missouri's teachers, financial aid community, high school counselors, and other access professionals. To schedule a Missouri Department of Higher Education & Workforce Development presentation for your class, please complete the speaking request form (*https://surveys.mo.gov/index.php/975786?lang=en*).

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 5.3.2)		**$**

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

ANSWER KEY
5.3.3

Name: _____ **Date:** _____

1. Name the form that must be completed to apply for federal student aid and some state aid.
   Free Application for Federal Student Aid (FAFSA)

2. How often does this form have to be completed? *Annually, for each year a student plans to attend college*

3. Explain the differences between loans, grants and scholarships.
   Loans must be repaid with interest and everyone is eligible to receive them. Grants and scholarships are "gifts" that do not have to be repaid. Grants are typically awarded based on financial need. Scholarships are generally awarded based on academic performance and/or extracurricular participation (e.g., sports, music, community service, etc.).

4. When a financial aid officer says to borrow only what you need, what does that mean?
   Students have the right to reject a portion or all of the loan amounts presented in their financial aid award letter (page 6, Planning for Financial Success).

5. Do you think you will need to take out student loans? Explain how student loans can affect your buying power.
   Because student loans must be repaid, taking on too much debt while in school can lead to very high repayment amounts later. This limits money available to spend on other necessities and wants, or to save. If you fail to repay your loans (default), your income and credit history will be negatively impacted. Additionally, your loan balance will increase significantly due to collection costs.

6

Protecting and 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 and Insuring

ACTIVITY
6.1

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.

Purpose and description

The purpose of this lesson is to give students a general understanding of the various types of insurance currently relevant to them. These include: auto insurance, homeowners/renters insurance, and health insurance.

Objectives

At the end of this lesson, students will:
1. Have a general knowledge of relevant insurance types
2. Be able to find resources on where to obtain insurance

Required resources

Each student should have a copy of the *Smart About Spending Student Workbook*.
1. Worksheet 6.1.1
2. Worksheet 6.1.2
3. Computer lab with Internet access
4. Two insurance agents (guest speakers for class)

Required class time

Four (60 minutes) class periods
240 minutes total

Assignment

Section 6:Protecting and Insuring
Worksheet 6.1.1
Worksheet 6.1.2

Procedure

Day 1
1. Show these videos during class to start the discussion about insurance:
   a. *youtube.com/watch?v=UD4CS1tiQMY*
2. Break the students into groups and assign each group one of the insurance types: auto, homeowners/renters, or health.
3. Ask students to review their *Smart About Spending Student Workbook*, Section 6: Protecting and Insuring.
4. Direct students to Worksheet 6.1.1.
5. Go to the computer lab.
6. Ask each group to watch the video(s) for their assigned insurance type as indicated on the worksheet. As students view the videos, have them complete the appropriate sections of the worksheet.
7. Grade the worksheet before proceeding to Day 2 procedures.

Day 2
8. Give each group a few minutes to review completed worksheet.
9. Have each group give a brief presentation on what they learned about their assigned insurance type. Since insurance can be a dry subject, encourage creative presentations, like a skit or video.
10. Encourage students to take notes during the group presentations, and complete the remaining unanswered questions on the worksheet.

Day 3
11. Have guest insurance agents join the class.
12. Direct students to Worksheet 6.1.2.
13. Have guest speakers give an overview of the benefits of having insurance.
14. Encourage students to present the questions on the worksheet to guest speakers.
15. Have students turn in both completed worksheets.

Day 4: Assessment
1. Ensure students completed all parts of the worksheets, not just the group they were assigned.
2. Have students write a short essay relating how they will use the information learned from this activity and the guest speakers.
3. File the worksheets behind Section 6: Protecting and Insuring, in the *Smart About Spending Student Workbook*.

Notes to instructor

Insurance policies can be difficult to comprehend. It is of critical importance that students have a basic understanding of insurance and, if they do not, are at least able to find the resources they need.

6 Protecting and Insuring

ANSWER KEY
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 // *https://www.youtube.com/watch?v=8y23U2VkYDA*

1. If you are renting an apartment, what will the landlord's insurance cover? ***The structure only***
2. What does renter's insurance cover? ***Your personal property at your place of residence or anywhere in the world***
3. Why is it important for college students to have renters insurance if they live away from home? ***Their parent's home owner policy may not cover their loss or cover only a portion of the loss.***
4. What is covered under the liability section of a renter's policy? ***Unintended damage to your rental. Accidents that occur in your home. Defense against lawsuits for damage you cause. Medical bills for someone injured in your home or someone you injured while away from home.***
5. True or false: Renters insurance is very important but also very expensive. ***False***

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. ***Liability — pays for any injuries to others and their property damage for which you are responsible; Collision/Comprehensive — pays for physical damage to your vehicle; Medical Payments — pays for medical expenses you or your passengers sustain in an accident; Uninsured/Underinsured Motorist — pays for injuries and damages caused by persons with no insurance or with insurance limits too low to pay for your injuries***
2. Which type of auto insurance is required in Missouri and what is the minimum coverage? ***Liability; 25/50/10***
   (discuss what these numbers mean: $25,000 for one person's injuries, $50,000 for total injuries, $10,000 for property damage)
3. What do you do if you have an accident? ***Call 911 and exchange insurance information***
   Other answers may include: call your parents; call your insurance company; take photos

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

1. What is a deductible? ***The amount you pay before your insurance pays***
2. What is the difference between in-network and out-of-network? ***In-network describes the doctors and hospitals covered by your insurance plan. Out-of-network describes doctors and hospitals not in your insurance plan that may or may not be covered by your insurance plan, and at a lesser rate – you may have to pay more to see an out-of-network doctor.***
3. What does co-insurance or co-payment mean? ***The amount you pay after your deductible is met and before your insurance pays.***
4. Describe the three stages of health insurance? ***Stage 1: You pay for everything until you meet your deductible; Stage 2: You pay a percentage and your insurance company pays a percentage of the cost; Stage 3: You meet your out-of-pocket maximum and insurance pays for everything***

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.
  (Encourage students to think of a question that pertains to students their age.)

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

ACTIVITY
7.1

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

Describe how diversification can lower investment risk.

Purpose and description
The purpose of this lesson is to teach the importance of investing for the future.

Objectives
At the end of this lesson, students will be able to:

1. Identify various methods of investing (e.g., mutual funds, stock market, bonds, etc.)

Required resources
Each student should have a copy of the *Smart About Spending Student Workbook*.

1. Worksheet 7.1.1

2. Computer lab with Internet access

Required class time
One (60 minutes) class period
60 minutes total

Assignment
Section 7: Financial Investing
Worksheet 7.1.1

Procedure
Day 1

1. Ask students to read their *Smart About Spending Student Workbook*, Section 7: Financial Investing.

2. Have students take notes as you discuss the following:

   a. Ask students to explain the relationship between saving and investing.

      i. Money market accounts pay a somewhat higher rate of return than savings accounts. They offer limited check-writing privileges. Money market accounts are offered by banks, savings and loans, credit unions, stock brokerage firms, financial services companies, and mutual funds.

      ii. To make your money work for you requires investing long term. Determine what your goals are for investing (e.g., down payment on a home, early retirement, etc.).

   b. What do you want to invest in? Mutual funds, stock market, bonds?

      i. A mutual fund is an investment company that combines the funds of investors who have purchased shares of ownership in the investment company, and then invests that money in a diversified portfolio of stocks and bonds issued by other corporations and governments. Investing in a mutual fund reduces the risk you face when selecting individual stock and bond investments. Mutual funds also make it easy and convenient for investors to open an account and continue investing. This is the most common form of investment in the United States.

      ii. Stocks represent potential income for investors. The owner of a stock is called a shareholder or stockholder. Stockholders own a piece of the future profits (or losses) of the company in which they have invested. Common stockholders may vote to elect the company's board of directors.

iii. A bond is an interest-bearing, negotiable certificate of long-term debt issued by a corporation, a municipality or the United States federal government. bonds are basically IOUs. The initial purchases of the bond lends the issuer a certain amount of money (principal) and, in return, the issuer will pay interest over the life of the bond, and repay the investor's principal at some point in the future (maturity date).

iv. Aggressive investors might invest in limited real estate partnerships, undeveloped land, precious metals, gems, commodity futures, stock-index futures and collectibles.

v. While many (if not most) investments fall into one of two categories — equity and debt, better known as stocks and bonds — there are numerous alternative vehicles, which represent the most complicated types of securities and investing strategies.

vi. The good news is that you probably do not need to worry about alternative investments at the start of your investing career. They are generally high-risk/high-reward securities that are much more speculative than plain old stocks and bonds. Yes, there is the opportunity for big profits, but they require some specialized knowledge. So, if you do not know what you are doing, you could get yourself into a lot of trouble. Experts and professionals generally agree that new investors should focus on building a financial foundation before speculating. (*investopedia.com/university/beginner/beginner5.asp*).

3. Research mutual funds and stocks via the Internet or newspaper.

Assessment

1. Have students complete Worksheet 7.1.1

2. File Worksheet 7.1.1 and the reflection behind Section 7: Financial Investing, in the *Smart About Spending Student Workbook*.

Notes to Instructor

Have a brief discussion about Worksheet 7.1.1. What kinds of information were the students able to find (e.g., names of mutual funds and stocks, price, change, world market vs. United States market, etc.)? Inquire about the types of investment funds they favored most. What kinds of bonds were they able to identify? What was the value?

Financial Investing

ANSWER KEY
7.1.1

1. Name three mutual funds: ***Students should get the answer from their guest speakers or individual research.***

2. What is the difference between mutual funds and stocks? ***A mutual fund is an investment company that combines the funds of investors who have purchased shares of ownership in the investment company, and then invests that money in a diversified portfolio of stocks and bonds issued by other corporations and governments. Stocks are investments that represent ownership in a particular company, also known as shares.***

3. If you had $10,000 to invest, how would you invest it? Why? ***Students should get the answer from their guest speakers or individual research.***

4. What is diversification? ***When an investor spreads their investment funds among different types of investments and industries.***

Notes from guest speakers:

Important Terms and Resources

Terms students 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.

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

Terms students should know

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.

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.

Terms students should know

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 students 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.

Resources

Council for Economic Education
econedlink.org

The Council for Economic Education provides a premier source of classroom-tested, Internet-based economic and personal finance lesson materials for K–12 teachers and their students. With over 698 lessons to choose from, teachers can use as many of the lessons as they like and as often as they like. This site includes lessons, data resources, links, newsletters and interactive tools.

Federal Reserve System
federalreserve.gov

The task of the Federal Reserve System is to maintain employment, keep prices stable, and keep interest at a moderate level by regulating monetary policy. Components of the Federal Reserve System also supervise banks, provide financial services, and conduct research of the United States economy and the economies in the surrounding region.

Federal Reserve Bank of Kansas City
The Money Museum: a billion dollar experience
https://www.kansascityfed.org/
kansascityfed.org/moneymuseum

The Federal Reserve Bank of Kansas City and its branches serve the seven states of the 10th Federal Reserve District: Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico and western Missouri. Teachers can bring economics and personal finance lessons to life for their students with a field trip to the Money Museum at the Federal Reserve Bank of Kansas City. The Money Museum offers real-world illustrations of the economy and the Federal Reserve in action. In addition, educators can choose from a variety of lesson plans (before, during or after their visit) for 5th–12th grade students.

Federal Reserve Bank of St. Louis
Inside the Economy Museum
stlouisfed.org
stlouisfed.org/inside-the-economy-museum

The Federal Reserve Bank of St. Louis was established in 1914. The 8th Federal Reserve District is headquartered in St. Louis and has branches in Little Rock, Ark., Louisville, Ky., and Memphis, Tenn. This site includes lesson plans, whiteboard activities, videos, podcasts, activities and interactive links. Explore opportunities for teacher professional development, including Continuing Professional Development Units, and for making your school a Community Education Partner with the Federal Reserve Bank of St. Louis. The award-winning Inside the Economy® Museum inside the historic Federal Reserve Bank of St. Louis will immerse you in a one-of-a-kind experience that explains the economy, and your role in it, in a fun and interactive way.

Journey to College
journeytocollege.mo.gov
facebook.com/journeytocollege
twitter.com/Journey2College
instagram.com/journey2college

Developed for Missouri students, Journey to College provides an avenue to obtain a variety of information geared toward future college students. Your questions and comments are welcomed. Students and parents can receive short updates regarding various scholarship opportunities, federal and state aid deadlines, college planning tips, and money management reminders by following Journey to College on social media or logging on to the Journey to College website.

LifeSmarts
lifesmarts.org

LifeSmarts is an educational opportunity that develops the consumer and marketplace knowledge and skills of teenagers in a fun way and rewards them for this knowledge. LifeSmarts topics have been chosen to encourage and reward knowledge in the areas that matter most to consumers and workers in today's marketplace: personal finance; health and safety; the environment; technology; and consumer rights and responsibilities. The site includes calendars, lessons, quizzes, scavenger hunts, fast facts and additional resources.

Mint
mint.com

At Mint, money is for living. Everything is simple and streamlined. Sign up takes less than five minutes. Then Mint automatically pulls all your financial information into one place, so you can finally get the entire picture.

Resources

Missouri Connections
MissouriConnections.org

Missouri Connections 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 can register as a guest.

Missouri Department of Economic Development
ded.mo.gov

The Missouri Department of Economic Development works through a variety of programs to ensure the economic vitality of Missouri by creating and retaining jobs and investments.

Missouri Department of Higher Education & Workforce Development
dhewd.mo.gov

Educators and counselors can visit the Missouri Department of Higher Education & Workforce Development's website to learn about outreach activities, such as Apply Missouri, FAFSA Frenzy, and Decision Day, programs designed to increase awareness among Missourians regarding opportunities for postsecondary education and student financial assistance. Through its financial literacy activities and student loan default prevention initiatives, the Missouri Department of Higher Education & Workforce Development also strives to help students avoid accumulating credit card and other types of debt as well as avoid defaulting on their student loans.

Missouri Department of Revenue
dor.mo.gov

The mission of the Missouri Department of Revenue is to facilitate the proper functioning of state and local government by accurately and efficiently collecting and distributing state and local revenues.

Practical Money Skills
practicalmoneyskills.com

Practical Money Skills provides educators, parents, and students with free educational resources, including personal finance articles, games, lesson plans and more. Lesson plans are in PowerPoint format.

Field trip opportunities

- Federal Reserve Bank of Kansas City
  The Money Museum: A billion dollar experience
  kansascityfed.org/moneymuseum
- Federal Reserve Bank of St. Louis
  Inside the Economy Museum
  stlouisfed.org/inside-the-economy-museum/educators
- United States Mint virtual tour
  usmint.gov/mint_tours/?action=vtShell
- Local banks, investment firms, or credit unions

Suggested guest speakers

Consider inviting one or more of the following to your classroom:

- Certified public accountant
- Consumer credit counselor
- County collector (or similar elected officials)
- Financial advisor
- Financial aid officer
- Loan officer
- Missouri Department of Higher Education & Workforce Development accredited financial counselor (*https://surveys.mo.gov/index.php/975786?lang=en*)

Notes

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DEPARTMENT OF
HIGHER EDUCATION &
WORKFORCE DEVELOPMENT

P.O. Box 1469, Jefferson City, MO 65102-1469
800-473-6757 // 573-751-3940
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The Missouri Department of Higher Education & Workforce Development administers a variety of federal and state grant, scholarship, and financial literacy programs. For more information about student financial assistance, contact the Missouri Department of Higher Education & Workforce Development at 800-473-6757 or 573-751-3940. The Missouri Department of Higher Education & Workforce Development has no control over, or responsibility for, material on other websites provided in this document. The Missouri Department of Higher Education & Workforce Development does not verify the information on linked sites and does not endorse these sites or their sources. Links are provided as a convenience only to Missouri Department of Higher Education & Workforce Development customers. The Missouri Department of Higher Education & Workforce Development makes every effort to provide program accessibility to all citizens without regard to disability. If you require this publication in an alternate form, contact the Missouri Department of Higher Education & Workforce Development at 800-473-6757 or 573-751-3940. Hearing/Speech impaired citizens may call 800-735-2966. Content accurate at time of printing, October 2020. For the latest information, visit dhewd.mo.gov or studentaid.gov.

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